Agriculture

Phosphate users look to reactive rock potential

by Ann Taylor

SUPERPHOSPHATE users, manufacturers and researchers, faced with dwindling supplies from the traditional Pacific Island sources, are now casting eyes towards the Chathams and new processing methods the ample deposits there and elsewhere will require.

For years this country has enjoyed a ready supply of *phosphate rock from well endowed* Pacific Islands. The remaining deposits on Christmas Island will be dried up in six years and manufacturers, with an industry based on adding imported sulphur to the rock to make superphosphate, are casting around for other supplies.

But now the industry is beginning to look seriously at direct application phosphate, known as reactive rock.

The Chatham Rise deposit, for example, is reactive rock which does not have to go through the acidulation process used for superphosphate to make it agronomically usable.

And there is the possibility *that local sulphur, to date not* mined economically, could be applied with the reactive rock.

"We will provide whatever the customer wants," said John Campbell, president of the Fertiliser Manufacturers' Association, which has recently formed a new company — NZ Phosphate Co Ltd — to take over *the imports and distribution* of phosphate, previously handled by the British Phosphate Commission.

Campbell, general *manager* of The East Coast Fertiliser *Company*, has reservations about direct application rock, but said the vested interests of manufacturers in keeping their processing facilities working would not be totally compromised if farmers favour the direct application rocks.

"We do not have the dog in the manger attitude attributed to us . . . whatever kind of rock is imported will need to be handled and processed *to some* extent," he said.

There is some feeling among smaller manufacturers that the virtual cartel of the five major shareholder companies will make it difficult for others to import rock phosphate in sufficient quantities to make transport economic.

NZ Phosphate's major shareholders are *Ravensdown*, Southland Phosphate Co, Bay *of Plenty* Phosphate Co, NZ Farmers Fertiliser and East Coast Fertiliser Co. Among companies looking to import reactive rock are Dalgetys, Winstones and Mitsubishi.

The new company's policy, carried over from the commis*sion, is to* average the price of imported rock for the local market, which could preclude other importers.

Des Higgins, director of the Fertiliser Manufacturers' Research Association, is vehement in his objections to direct application rocks. "They have a long and inglorious history; are not very economical and *suffer a number of application* difficulties," he told *NBR*.

While he concedes that the Chatham deposit should be thoroughly investigated because of its potential to save overseas funds, he is "very sceptical of any viability" for direct application rock.

Higgins said the world was "bristling *with* phosphate suppliers" and the industry was looking to conventional sources — in Africa, the United States and the Middle East. "There are no disadvantages in changing to another supplier," he said.

The research association is currently looking at increasing the active ingredient content so *that smaller* quantities will do the job properly and thus reduce transport costs.

John Mauger, of East Coast Fertiliser, outlined the phosphate future to the Lincoln farmers conference last month. He said the reactive rocks, from North Carolina, Peru and the Chatham Rise, were performing as well as or better than superphosphates by the second year.

In upland areas where sulphur is as critical an input as phosphate — part of the latter's success — Mauger said sulphur inputs would change as the form of phosphate changed.

Massey University Professor J K Syers said the reactive phosphate rocks had a good *potential in this* country's pastoral farming. He also points to the advantages of its slow-releasing properties for forestry applications.

Phosphate fertiliser is a major cost to farmers and taxpayers. Its price at the factory door has risen from a weighted national average of $34 in the 1979 year to $92 in the 1981 year.

Application cost to the *farmers* was $143 in the 1981 year and is expected to rise to $165 next year. A transport and application subsidy, of about $15 a tonne, costs the taxpayer dearly on the two million tonnes of superphosphate applied last year.

Farmers are evidently economising. Last June they put 2.37 tonnes of super on to the land . . . this year only two million — a reduction of 16 per cent.

Phosphate imports cost $68.1 million in the June 1980 year, for 1.2 million tonnes. The weight was doubled by processing to super to the *two million* tonnes which farmers used last year.

The Ministry of Agriculture and Fisheries research division has shown there would be significant savings in transport if less heavy reactive rock was applied. Reactive rock has a greater residual effect and could possibly be applied less frequently.

MAF people also argue that because the ratio of sulphur to phosphate is flexible with granulated reactive rock it could have a variety of concentrations for different conditions.

The chemical processing, to superphosphate, is a fixed reaction.

J D Wright and Co Ltd, a bulk fertiliser manufacturer has been experimenting with reactive rocks for the last eight years. Spokesman Jim Wright said his firm's problem was to get the rock. "When we ask them (the suppliers) they make some excuses."

Demand was good in the Hamilton area for the direct application rock, which he mixed with potash, serpentine and lime, he added.

Wright wants the suppliers *to grind* the phosphate. He put in a $50,000 crushing plant last year but has still had trouble getting supplies. He says his company is the "thin edge of the wedge" of those wanting to use "non-chemical" fertiliser.

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NATIONAL BUSINESS REVIEW

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Inside

Barbarich overtures to Amax

MINERAL Resources has withdrawn its Union Hill mine from the market — in favour of trying to negotiate a farm-out deal with the Martha Hill mine operator, Amax.

Mineral Resources managing director *Jack Barbarich has had* talks with several overseas mining majors exploring the idea of farming out an interest in Union Hill. His terms were $1 million up front plus $500,000 a year for three years spent on exploration *in return for which* the mining major would get a 60 per cent interest in the mine.

Waihi Mining jointly owned by Mineral Resources and Green and McCahill would retain 40 per cent.

This offer was initially put to Amax. But it is understood *Amax baulked at the idea of* paying the $1 million up front money — though this is becoming regular practice in the United States.

Last week, Barbarich said, "the Union Hill has temporarily been withdrawn from sale."

At least five mining majors had a look at the Union Hill prospect — among them CRA, Tech *Corporation*, and BP Minerals.

Meanwhile, assay results from the Martha Hill mine suggest *there could* be reserves worth as much as $1515 million. (Details, Page 2.)

Jack Barbarich . . . $1 million up front

Farmers take Birch to court

by Ann Taylor

FEDERATED Farmers wants to challenge Energy Minister Bill Birch in court.

The federation's West Coast division is one of three parties seeking a High Court review of *changes made last month to the* conditions of the Kanieri gold dredge's *mining* licence.

When granted late last year, the licence required that the licensee — Kanieri Gold Dredging Ltd — "obtained all approvals required under other legislation" before dredging started.

That condition was later *removed*.

NBR understands that the Continental Bank of America offered to lend the wholly American-owned company $10 million on condition that the clause was removed.

The three parties seeking the review — Kopara Sawmilling Ltd, the Westland Conservation and Development Association and the West Coast *farmers* — served *documents* on June 2.

A hearing has been set for July 1.

As *NBR* went to press, no statement of defence had been *filed*.

The three parties have asked the High Court to:

- Review Birch's amendments to the licence;
- Declare such decisions "unlawful and invalid"; and
- Make an order for costs in the applicants' favour on the grounds that in granting the *original licence Birch "failed to* take into account relevant considerations", "acted contrary to the rules of natural justice" and "beyond his statutory powers".

Under the Mining Act 1971, Birch is empowered to change licence conditions for "the purpose of preventing, reducing or making good injury to the surface of the land".

But the farmers and foresters are objecting to the new conditions which allow the company to dredge without the ultimate land use being determined and *to dredge "for gold" in the* legal river bed.

Clause 34, which required that the company obtain "all approvals under other legislation", was entirely removed.

The original licence required that the ultimate land use be determined by the Westland Land Use Committee before dredging started and prohibited any work in the river bed "without the written approval of the Inspector of Mines and *the Westland Catchment* Board".

NBR understands clause 34 had to be removed before the Continental Bank of America would lend the company money.

The bank, apparently, believ-

Continued on Page 12

'Billion-dollar baby'?

by Ann Taylor

PLAYERS in the synthetic fuels gamble will lay their cards on the go, no-go table in San Francisco on July 7. Stakes in the game will bust the billion *dollar mark. The joint Mobil* and Government executive *committee will meet there* to receive and review a definitive cost estimate from Mobil's consultants. The task force has developed the plant "as if we'd decided to build it so that we can get cost-specific project estimates," said Energy Ministry deputy secretary Bill Falconer.

The executive committee, *which has met regularly* for 15 months, is a final check in the system and will present a final cost package to Mobil and Government here.

Mobil and the Government then have the responsibility for examining the commercial and national interest economics and technical feasibility of the project and make a decision within 60 days.

Government and Mobil sources *told NBR* that the project costs will exceed $1000 *million by the time* work begins in 1985, without taking into account cost over-runs.

When the plant was mooted in July 1979, Mobil's director of planning and supply in Wellington, Wayne Makeig, put the likely cost for the synthetic fuel plant at $100 million. The cost of the methanol plant would have been additional.

The original costing done by the Liquid Fuels Trust Board was $350 million for the two plants.

The Ministry of Energy reworked that figure and came out with $440 million which Minister Bill Birch rounded out to $500 million.

Continued on *Page 3*

Brokers break out

by Klaus Sorensen

SOME of the country's largest sharebrokers have got the Stock Exchange Association in a sweat.

A number of firms in both Wellington and Auckland have *been bending the strict Stock* Exchange rule about branch offices — and the association is worried that these breaches may jeopardise the passage this parliamentary session of the amendment to the Sharebrokers Act 1908, which will create the New Zealand Stock Exchange.

The irony is that while brokers are *not* allowed to set up branch offices in other cities, the creation of the New Zealand Stock Exchange will alter the voting rights of members — and this could allow the legal establishment of branch offices.

At present, most firms have representatives *making regular*

Continued on Page 16

Martha Hill gold reserves worth $1515 million

by Warren Berryman

GOLD reserves worth more than $1515 million can be inferred from the latest assays of drill cores from the Martha Hill mine near Waihi.

Amax Exploration (NZ) Ltd and Mineral Resources (NZ) Ltd jointly hold the rights to Martha Hill. Mineral Resources has a 10 per cent carried interest.

With cautious optimism, Mineral Resources chairman Dr John Watt released a statement and assays from six drill holes last week.

Amax has spent more than $3 million and drilled 2700 metres of holes since the inception of the joint venture. Most of those holes were drilled into the area between the Martha and Welcome reefs atop Martha Hill.

A further 5000 metres of drilling is anticipated within the next 12 months, Watt said.

"The diamond drilling programme has continued to indicate the potential for a major low-grade precious metal deposit within the prospecting licence area," Watt said.

"The first 10 drill holes have intersected potentially economic mineralisation to a depth of 250 metres over the entire length of 400 metres tested to date. Drilling density is not yet sufficient to accurately estimate grade and tonnage.

"However an *in situ* potential of about 150,000 tonnes a vertical metre is considered possible at a grade of 2.5 grams of gold a tonne and 25 grams of silver per tonne.

"To a depth of 250 metres tested to date a potential of resources of 35 million tonnes can therefore be interpreted. In view of the fact that the vein system was worked to 610 metres in depth and the further fact that the deposit continues beyond both ends of the tested portion, it is considered that a significantly greater tonnage could be present," Watt said.

Gold is presently selling for $17.32 a gram. So 35 million tonnes of ore containing 2.5 grams a tonne would be worth $1515 million.

Past miners working the Martha Hill area found the silver in the ore paid for their operating costs and the gold provided the profit.

Judging from data contained in old geological records the 35 million tonnes of potential ore mapped out by these 10 drill holes may only constitute a quarter of the total potential reserves.

The holes have been drilled only to less than half the depth of known mineralisation. Further mineralised zones are known to lie between the line of strike and Waihi township, and the strike might be extended on both ends.

As the assays show, particularly on hole 13, the deeper one goes the better the assays become.

Martha Hill was once the third largest gold mine in the world. Over its life it produced 8 million ounces of gold and 27 million ounces of silver valued at today's prices at $5300 million.

How much gold the old timers left behind is being shown by the drill holes.

Watt said metalurgical testing showed possible recovery rates of 94 per cent for gold and 88 to 90 per cent for silver.

"Economic modelling is continuously being carried out based upon the assumption that any eventual mining operation would consist of an underground mine in combination with a small open pit in the earlier years," Watt said.

NBR understands the underground method most likely to be employed would be block caving.

Watt concluded on a cautious note: "Although the resource has the potential to become a large, low grade, low cost gold producer with high profitability, it is emphasised that a great deal of additional drilling is required before the resource can be classified as an ore reserve and before mine developments can be contemplated," he said.

Still, the assays provided by Amax indicate gold values well above economic cut-off grade. If detailed pattern drilling shows the entire area grade to be consistent with that found in these holes the prospect would look very much like a gold mine.

Waihi Mining holds mining rights to Union Hill about 1km from Martha Hill.

Waihi Mining has extracted some ore from a reopened stope in the Amaranth adit. Some assays from this ore ran a hefty 6 grams gold and 360 grams silver a tonne. (*NBR*, April 6.)

The recent floods halted mining operations.

The week in brief

THE Court of Appeal ordered Cabinet papers on the decision to put the Aramoana aluminium smelter on the "fast track" National Development Act to be handed over to anti-smelter groups challenging the decision. The Minister of National Development Bill Birch and the Governor-General Sir David Beattie have been ordered to appear before the court.

POLICE and Maori Affairs Minister Ben Couch received a long range "kick up the backside" from Prime Minister Rob Muldoon in Paris for publicly supporting apartheid.

Meanwhile Muldoon manoeuvred Parliament into condemning the Springbok tour as African Commonwealth nations threatened to isolate New Zealand, casting doubt on the September Commonwealth Finance Ministers meeting in Auckland and participation in the Brisbane Commonwealth Games next year.

AIR New Zealand is applying to the Air Services Licensing Authority to raise domestic fares by 7½ per cent and to the Ministry of Transport to increase international fares by 5 per cent.

AUCKLAND engineer's union secretary Jim Butterworth was fined $250 for his part in the Auckland airport picket in March.

CHARGES against an Air New Zealand Friendship captain for making a dangerously low approach to Palmerston North airport in bad weather were dismissed by a High Court judge.

A 15 billion yen Eurobond issue is being raised by the Reserve Bank over 6½ years at 8½ per cent.

The week ahead

WEDNESDAY: Export documentation course, Auckland till Friday.

THURSDAY: Hauraki Enterprises AGM, Auckland.

SATURDAY: Wine Resellers conference, Hastings, till Monday.

Private TV interests forced to reveal confidences

by Warren Mayne

POTENTIAL private TV operators are worried that the Broadcasting Corporation has got from them confidential financial information that could be used to thwart their long-term plans.

The disclosures are required under the terms for leasing 31 hours of daytime transmission on TVNZ's Network Two.

But private interests suspect the corporation may use financial details it has obtained to back its opposition to any eventual private TV takeover.

At this stage, the BCNZ wants all these details as part of a strategy to avoid close scrutiny of its daytime TV leasing arrangements by the watchdog Broadcasting Tribunal.

Tenders closed on May 29 and the corporation on August 14 will allocate the time.

As expected, both the Wilson and Horton-backed Northern Television Ltd and the Alternative Television Network group (Hauraki Enterprises, NZ News, Independent Newspapers and Britain's Thames Television) tendered for commercial time, though ATN is not applying for all the hours available.

In the tender applications, the BCNZ requires disclosure of full commercial details from applicants in precisely the same form as the Broadcasting Tribunal demands it from private radio warrant-seekers.

Both newspaper consortiums have longer-term plans to get on the air fulltime, treating the BCNZ's compromise offer as merely a necessary stepping stone on the way.

But ATN's master plan — ready in some six to eight weeks, about the same time as the daytime tenders are decided — calls for TVNZ to relinquish control of Network Two to ATN — a proposal the BCNZ quite obviously resists.

ATN's Michael Wall says he suspects the full commercial disclosure requirements for the daytime lease could be used by the BCNZ in any future hearing of its case to take over Two.

The BCNZ, when announcing the leasing of daytime hours, made it clear that the decision on tenders would be solely its own, without any need for the Broadcasting Tribunal, the traditional arbiter and awarder of broadcasting warrants, to be involved other than in amending Network Two's warrant to extend its hours.

If Saturday morning time is granted to a commercial applicant, then the tribunal will have to change Two's warrant further, to allow advertising.

But there are strong suggestions that the tribunal, and particularly its independent-minded chairman, Auckland lawyer Bruce Slane, will not see the administrative body's role as purely rubber-stamping the BCNZ decision.

The corporation argues that it is still the warrant-holder and the Broadcasting Act makes provision for it to commission outside programming and leasing time.

But the tribunal is likely to question whether an arrangement that would allow a private operator to inject programmes directly into a TVNZ network by microwave link to the Auckland transmitter from its own studios still enables the corporation to exercise its full duties as publisher, observing the programme standards.

The tribunal may well argue that the daytime lease is a separate broadcasting warrant, allowing it to assess the suitability of applicants. Probably to circumvent this, the BCNZ's application forms set stringent safeguard conditions.

Applicants have to submit full financial details, plus a detailed rundown of their programme schedules for the first three months. The tender term is a minimum of three years and the private operator has to supply advance programme details six weeks in advance throughout the contract period — giving TVNZ an obvious advantage in knowing what to programme competitively against the leasee on Network One.

ATN's Wall regards missing out on the lease as "missing a place on the Titanic".

To ATN, the revenue potential of the daytime hours on Two is minimal, all the more so as TVNZ has not up to now seen any need to use the spare advertising time itself.

"About three million dollars a year tops" is Wall's assessment of the potential revenue — against which he forecasts an operating cost of $6 million annually, especially for rival NTV which has outlayed $5.5 million building a brand-new broadcast studio complex in Panmure and is recruiting a staff of 70 to run the daytime operation.

NTV's Graeme Douglas says his revenue forecasts are more optimistic, but concedes this "valuable apprenticeship" is not regarded as a money-maker for Wilson and Horton, which is associating all the other newspaper interests signed up for its eventual three regional companies into the lease application.

Cards on table time

From Page 1

A report prepared for the American Department of Energy on cost estimates for energy processing plants by the Rand Corporation lists "diffuse decision-making responsibility" among the factors that drive up the costs of major capital projects.

Dr Colin Maiden, chairman of the Synthetic Fuels Trust Board, the joint executive committee and, until recently, the Energy Research and Development Committee, could not be accused of diffuse decision-making.

But Mobil's three American sub-contractors, one of which has sub-contracted to a consortium of four local companies here, indicates the plethora of interested parties.

The secretaries of Treasury, Energy and Trade and Industry and four Mobil representatives meeting in San Francisco are faced with weighing the benefits of the project which is being measured in mid-1980 dollars.

The $750 million figure, of which $300 million is expected to be spent here and $450 million on components and ancillaries abroad is expected to grow in those proportions.

Consultant engineers Bechtel Corporation then provided Mobil with the $750 million figure produced at the end of last year.

NBR understands the ministry's figure did not include the costs of a heavy gas treatment plant which the Mobil figure does, along with a lead plant.

But the cost estimates on methanol trains are higher in the Mobil estimate which also includes the cost of wharf and road construction.

Infrastructure costs for pipelining, effluent lines, electricity supply and a tank farm are not included in the Mobil estimate. The Ministry of Energy estimates those costs at $42 million.

That's a long way from a "synfuels sweepstakes" published by American magazine *Forbes* last year. The Mobil plant was listed, "cost undisclosed" for demonstration plant, "$3 to $4 billion" for commercial plant completion.

Other story, Page 17

Karioi mill breakeven still several years away

BREAKEVEN point for Winstone's Karioi pulp mill is some years off, according to deputy managing director John Ede. However he told *NBR* last week that new markets in India had helped to boost production to about two-thirds capacity, and the company was budgeting for increasing output in 1982-83.

The maximum capacity for the Winstone mill is about 6666 tonnes a month. The mill is now running a two-line operation five days a week, producing 4000 tonnes a month. Following Winstone's difficulties in the Korean market production was cut to a one-line operation seven days a week.

Ede gave *NBR* Winstone's side of the story last week after catching heavy flak for its announcement of a bonus issue and final dividend payment to shareholders — mere weeks after the approval of a $15 million Government bail-out for the mill.

"We still think there is a precedent for this sort of Government investment in terms of what happened with NZ Steel and Tasman Pulp and Paper," he said.

"We think the 14 per cent interest rate is a reasonable commercial rate for the government to impose.

"Government's decision to become involved is strictly commercial, following an in-depth investigation by Treasury."

Ede said part of the money would be used to repay foreign borrowings which had been costing Winstone a lot both in terms of high interest rates and exchange losses.

The remainder of the money would go into capital expenditure on the Karioi thermo-mechanical pulp mill.

"Some people are making a lot of play out of the taxpayers' risk in this $15 million investment," he said. "In my opinion the risk is low, the loan is secured by Winstone Forestry Company debenture stock, and this is first-ranking over the assets of the group. The specified preference shares carry a preference dividend and they rank ahead of shareholders."

Winstone has been asked why the taxpayer had to bail Winstone out, when Winstone was making a profit. Why didn't Winstone shareholders face up to the problem themselves?

Ede said that Winstone's shareholders did face up to the investment. "Winstone-Samsung's original capital was $7 million of which Winstone's took up $5.6 million and the Koreans $1.4 million.

"Subsequently we injected $7 million in cash. We've got a forward commitment which will require some millions more from the group." (Ede declined to give a more precise figure.)

"The losses so far absorbed by Winstone on Karioi have been $16.5 million," he said. "Anybody that says that Winstone's shareholders are not footing the bill are at odds with the facts. We were finding it extremely more difficult to find more funds."

NBR asked Ede why Winstone didn't bail itself out from its own profits. Ede said: Winstone's is a totally New Zealand-owned company with a lot of small shareholders. Shareholders' equity is very low as the mill drew off funds. We had a desperate need to broaden our base because if we didn't our borrowing capacity would be stripped.

"One of our options was to broaden the base with a specified preference share issue. If we were to have an issue at that time it quickly became apparent it was paramount to continue with the dividend. If we hadn't paid the dividend, who would have picked up the specified preference shares because the price of the shares would have tumbled anyway?

"We thought we had to show shareholders some tangible indication of an approved outlook. That's the reason we had a bonus issue — not a generous one by any means."

Winstone's $3.6 million profit, which included a tax credit of about $1.2 million, was strongly criticised by Labour. But Ede pointed out a $3.6 million profit on $192 million in assets employed was only a 1.86 per cent return on assets — hardly a spectacular performance.

So why did Winstone deserve a bail-out when other firms were allowed to go to the wall, *NBR* asked.

Ede said the mill employed 120 people, the bulk of them hired locally as untrained staff, and subsequently trained by Winstone, and a further 40 people were employed by Winstone's afforestation company.

This was in line with both National's and Labour's regional development policies.

Ede said that contrary to statements made in the press, Winstone had received expert advice from foreign and domestic forestry experts, international bankers and consultants before going ahead with the Karioi venture. He said at the end of the day, the Government approved the project.

To overcome its present problems Winstone is hiring overseas consultants.

Hard line on licence tender errors

by Richard Fletcher

THE Department of Trade and Industry is taking a hard line on invalid applications for import licences under its new import licence tendering scheme.

Even in categories where not all licences available have been taken up, the department will not allow re-applications by companies which made errors with their paperwork.

A departmental spokesman indicated to *NBR* that the rules for tendering were set up in close consultation with relevant parties in industry and the retail sector.

But there seems to be confusion about the forms among some business people, and a number of companies could lose out, because of mere procedural errors.

NBR contacted several firms which had licence tenders declared invalid in a lot where not all available licences were allocated.

Some principals of these companies were particularly concerned they would lose out for the licensing period — the next 12 months. Others said they went in to "test the system", because the items they applied for weren't a major part of their operation.

The reasons tenders were declared invalid varied from company to company, ranging from tender forms being incorrectly filled out to apparent confusion on whether more than one unit could be tendered for on the same form.

One businessman said that when the tendering system was introduced, some leeway had been allowed by department officials because there was confusion over whether tenders should include the licence cost. Perhaps some latitude was relevant in his case, he argued.

But departmental officials told *NBR* that by the time of the seventh lot, confusion over inclusion of the licence price in tenders had evaporated.

There had been confusion in earlier tenders over servicing requirements for new types of machinery or goods.

The officials said the department tried to make tender forms as clear as possible and consultation with the commercial community was continuing before the second round of tendering gets under way.

Asked if the department's decision for the last round could be reviewed in cases where the licences had been deemed invalid, Trade and Industry said applicants could try again next round — when licences not fully allocated in round one would again be put *up for tender* — but the doors are closed this time.

Comment

Editorial

LETTERS of support poured in to *Maori* Affairs Minister Ben Couch last week, ironically supporting him for saying something on television one day which he said he didn't mean to say the next. And when the matter of Couch's views erupted into controversy, Opposition politicians became involved in the further irony of expressing on one hand their admiration for the *Minister's* candour, while on the other *calling for his resignation for breaching* the hallowed principle of collective ministerial responsibility. Conform or resign, was Opposition deputy leader David Lange's demand.

The doctrine of collective Cabinet responsibility obliges every *Minister* to lend public support to every policy which Cabinet adopts, and requires resignations from those who find they cannot do so (it is *a measure of the worth of the doctrine* that, in this country, *Ministers* who breach it do not feel compelled to resign).

The doctrine is thus designed to hold all Ministers to a consensus viewpoint, and so discourages candour; dissident Ministers are expected to remain silent rather than make known *their contrary viewpoint* or the reasons for it. In short, the doctrine encourages hypocrisy; Ministers do make contrary views known, but only privately and off the record, or through anonymous leaks of information to the news media.

Couch — for 18 years a shearing contractor, a former All Black, an elder of the Mormon Church and former member of the NZRFU council — said on his appoint*ment to Cabinet*: "*What have I done to* deserve this?" Through his outspokenness, and his defiance of the doctrine of ministerial responsibility, his colleagues must wonder what they have done to deserve him.

***The Springbok tour issue sees Couch* at his dissident best. In 1977 at Gleneagles in Scotland, Prime *Minister* Rob Muldoon committed his Government to "taking every practical step to discourage competition" between this country and South African sportsmen in accordance with our laws. Couch's claim of support for the Gleneagles agreement cannot be reconciled with his prolonged determination to *support sporting* contact. On his first day in the Cabinet, he announced himself in favour of continuing sporting contacts with South Africa, and while Foreign Minister Brian Talboys was trying to dissuade the Rugby Union from issuing invitations to six players to go to the Northern *Transvaal, Couch was telling reporters* that, as *Maori* representative on the rugby council, he had voted in favour of sending out the invitations. He declared in an interview at that time that he saw no conflict in his dual appointments as Cabinet Minister and NZRFU council member ("First and last, I have been a rugby man, and that's what I intend to keep on being").**

***Three months later he announced his in*tention to visit South Africa to see for himself if rugby there was really becoming a multi-racial game. Talboys let it be known he would not talk about Couch's plans to reporters. Prime Minister Rob Muldoon declined to answer a list of questions put to him by the New Zealand Herald (because the Herald had published a critical editorial on the subject).**

***A few weeks later*, Couch said politicians should "keep their sticky hands out of sport" and complained that the Gleneagles Agreement had been forced on us "by people who do not have the same kind of democracy that we have". A month after that the State Services Commission decided it would no longer grant leave, paid or unpaid, to those wanting time off to compete against South Africans. Couch complained the *decision* was "selected censorship" and endorsed the idea of "building bridges"; State Ser*vices Minister* David Thompson replied that Couch would be seen by most New Zealanders as taking the "unusual" course for a *Minister* of disagreeing with a Government position.**

Couch's attitude to apartheid remains unclear. He told the Auckland Star in February 1979 he opposed apartheid and fully supported the Gleneagles agreement. On Newsmakers the other night, he seem*ed to be declaring* his support for apartheid as appropriate to South Africa's circumstances. Next day, he maintained that morally he opposed apartheid; he had been caught off balance by interviewer Ian Fraser and had left an "entirely wrong impression". "What I was trying to say in the interview and *didn't say very well is that* at this stage of South Africa's development some form of separate development may *be unavoidable*."

It's not the first time he has confounded us. In January, he withdrew a statement about police and protesters because he had made "a mistake" in not making his view clear in a press interview. He said in the interview that if demonstrators went out of their way to cause disruption, then demanded police protection, "I say let's tell the police, 'don't get involved'." According to the revised version, it was "quite wrong" to take the impression that he was saying the police should not protect *protesters* (he acknowledged that the fault was his in not making himself clear). While he had doubts about protecting people who deliberately provoked incidents at public gatherings, he now agreed "entirely" with the Prime Minister "that we must do our best to protect them".

According to *Muldoon*, Couch was "rather foolish" to appear on the Newsmakers programme. Reason: he "is too straightforward *for that* kind of discussion. Every word that he utters is taken in its literal meaning", and "taking some of his words literally" created the effect that what Couch was saying did not jell with Cabinet policy. The profundity of Ben Couch, apparently, requires us to search for deeper meanings.

An alternative view — and one that results only from Couch's refreshing refusal to be muzzled — is *that he could* not comprehend simple questions put to him in the Fraser interview or give clear answers, which throws into doubt his ability to read and understand Cabinet papers on complex issues, or to venture worthwhile opinions at Cabinet meetings. Similarly it *throws into* question his capacity to communicate effectively with his administrators, and hence to effectively run his departments.

But as constitutional expert S A de Smith notes, if a Prime Minister stands by a Minister under attack, a Minister can brazen out "appalling indiscretions, gross errors and omissions, plans gone awry and revelations of disastrous mismanagement within his department". Couch's communicative shortcomings makes him a liability to the Government and his party. It will be a sign of Muldoon's disregard for the public interest, and disinclination to aim for excellence in his administration, if *he allows* the candid but clearly confused Couch to remain in his Cabinet.

— Bob Edlin

Without word of a lie

It can be done

PLANS for closer ties with Australia are proceeding in a cordial, if sedate manner on the economic front. But this country seems intent on ignoring the wider implications. Norman Kirk used the *imminence* of the 1974 Christchurch Commonwealth Games in his calls to cancel the 1973 Springbok tour but this Government's concern has not yet addressed itself to the Brisbane Commonwealth Games despite threats of boycott from African nations if this country attends.

Otherwise Kirk's reasoning is identical to the current anti-tour lobby and ministerial pleads aimed at the Rugby Union. Kirk appealed to the Rugby Union to protect the larger interests of the country.

"The strains would exacerbate differences of attitude on racial matters . . . The disorder and violence would necessitate massive police intervention and a possible supporting role for the *armed forces . . . would reduce the country*'s credibility as a decent, humane multi-racial society and expose it to condemnation in such forums as the United Nations . . . and in the considered view of the police would engender the greatest eruption of violence this country has ever known".

That tour was called off by the Rugby Union.

Brockie's view

Infusion of confusion

"A REPORT which by virtue of its publication facilitates public debate" is how Environment Commissioner Ken Piddington saw the environmental impact report on Taranaki's proposed synthetic petrol plant.

Newspapers — purveyors of information all — were quick to press with conflicting interpretations of the report with which to confuse the unwitting public.

The *Dominion's* news columns carried the story: "Synthetic petrol has been given the thumbs-down by the commission . . . which recommends the Government consider pollution factors before opting for synthetic petrol". *The New Zealand Herald* carried a different story: "The commission endorsed the planned production of synthetic petrol as a worthwhile element of the Government's strategy . . . It recognised the short term benefit it could provide by making available a fuel which could immediately be incorporated into the distribution system".

For those interested in finding what the commission did say: report, with 16 annexes, libraries and from Government bookshops.

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Comment

Who's worried about oil? Not Bill Birch, it appears

by Nigel Isaacs

ENERGY Minister Bill Birch's concern for energy may be matched by his faith in his own planning abilities. But neither blind faith nor secrecy conceals a Government-instigated blunder in energy planning.

The energy conservation scheme designed to save scarce diesel fuel has curtailed the use of heavy fuel oil to a point where it is being exported at a loss.

The problem area does not seem to be petrol or diesel and, more important, the forgotten industrial fuel oil.

The drastic reductions in "oil" use have been occurring in fuel oil use, and present industrial plans are likely to exacerbate the crisis.

A recent release of oil demand figures from the Department of Statistics (see table) shows that petrol use has grown slightly in absolute terms, diesel use *has remained virtually static*, but fuel oil use has fallen.

With the recently announced conversions of a number of large industrial fuel oil users in the central North Island to natural gas, it appears that this call will terminate in a collapse of the industrial fuel oil market.

"Oil" is not the simple fuel that is so easily discussed in terms of the balance of payments. To the user, "oil" can take many forms, each suited to a specific range of uses. At the "top" of the barrel comes petrol and aviation fuel, while the viscose tarry "bottom" forms industrial fuel oil, power station bunker and asphalt.

Petrol flows freely at room temperature, but the thicker industrial grades require heating to enable them to be burnt and sophisticated burner design. These extra handling costs reduce their attractiveness to all but the larger users.

The thicker the product, the less attractive it is to use, and the lower the cost it will fetch in the marketplace.

The refinery expansions have been designed to achieve the goals described in the 1980 *Energy Plan*. The key product is diesel, with aviation fuels coming in as second priority.

A *cynic might even say the rest are* by-products.

At present power station bunker is exported — and at remarkably low net return. Even if we wanted to burn it in power stations, the tanks at both Marsden stations are filled with diesel — part of the nation's strategic supply.

The flexibility of the refinery expansions were dramatically shown by the remarks of the Director of the Ministry of Energy's oil market directorate, Andre Milkop in the *Listener*, on May 2. He stated that any change in the predicted demands on the refinery could have serious effects on the product outputs. Yet these changes are now occurring.

The Government incentives in place since the 1976 Budget have been aimed without discrimination at "conservation" of oil and electricity. Examination of the incentives reveals they are aimed at "conversion" to almost any other fuel.

The Electric Supply Authorities woke up last year to their impact on the electric scene, and had the Government not beaten them, the marketplace would have seen a hard sell on electricity.

The concentration on the "big energy projects" in the Taranaki has moved public focus away from previous energy planning disasters.

A few miles away from Ruakaka, two major oil facilities *now look poised to revive interest in* the reliability of planning for such "big" projects. Marsden A power stations sits idle, while Marsden B sits commissioned but mothballed. Definitely a "Think Big" failure.

Now the oil refinery down the road is about to undergo major expansion, in the face of a dramatically changing demand pattern.

Oil substitution, of course, is far more attractive to large users with potential access to natural gas. Large North Island users could be seen as profitable customers for the Natural Gas Corporation, and supply contracts negotiated.

But the type of oil being displaced is not diesel, but rather industrial fuel oils.

In the South Island, the natural gas option is not available, but the 25 per cent electricity rebate enables large users to convert to new or modified processes.

The result is that the heavy oil users have converted at what would appear to be a far greater rate than was planned for.

Of course, there is one oil light on the horizon. Aluminium smelters use heavy fuel oil for baking anodes.

The recently approved Tiwai Point expansion will use more heavy fuel oil, and the possible Fletcher Challenge smelter will help soak up even more. Still, if the planning is for strategic *purposes, it seems strange to tie our ability to* export aluminium to our ability to import oil.

On the energy scene, the more information that comes to light, the more Think Big looks like think big potential disasters. Perhaps that's why the Energy Minister is not too fond of freedom of information.

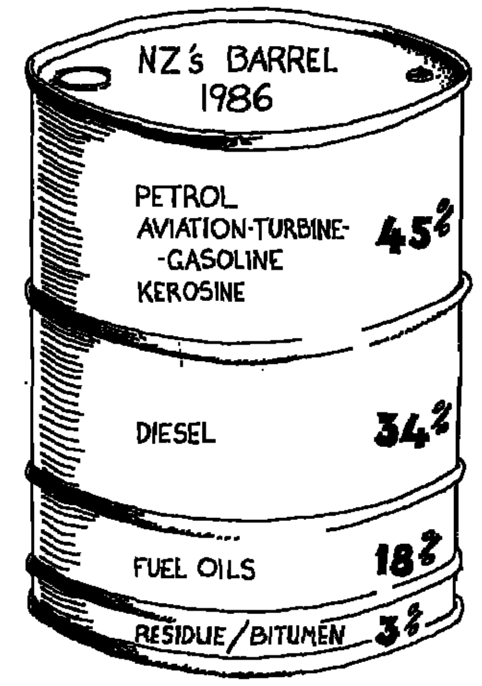
Nigel Isaacs is an Auckland energy consultant specialising in alternative energy sources.

OIL COMPANY DELIVERIES (THOUSAND TONNES)

March Year	Petrol	Diesel	Fuel Oils	Other	Manufacturing Turnover (1980 $ million)
1977	1683	1036	1152	316	10,890
1978	1652	1040	986	326	11,742
1979	1709	1040	620	382	12,918
1980	1518	1025	828	370	12,740

% change 79-80 +3.1 – -20.5 -918
4th quarter 1980 434 255 171 83

Sources: Deliver: Statistics Department Release 81/41
Turnover: January 1981 Abstract of Statistics, plus advice from Statistics Department
Note: Percentage change calculated on fourth quarter 1980 to fourth quarter 1979



Without word of a lie

Only kidding

AUCKLAND's friendly mayor Colin Kay discovered the other day the perils of saying "come up and see me sometime." He told a lunchtime gathering that he had spent an enjoyable time at the Remuera library in the May school holidays talking with a group of about fifty 5 to 9-year-olds. They were such a nice bunch of kids that he told them they'd always be welcome to visit. One young lady called Julie duly phoned for an appointment, arriving with a plate of home-made shortbread for His Worship to nibble along with orange juice for their afternoon tea. The lady assured him that she'd call again. The Mayor was obviously tickled pink, but he made the wry comment that he hoped the other 40 weren't going to take him up on the offer as well.

Dead-letter dole

THE Social Welfare Department wants to reduce the number of money orders sent through the post to cut down on postage and workers' time. It is arranging for more unemployment and *sickness beneficiaries to* receive payment by direct credit to Post Office or bank accounts.

But the unemployed are well known for their vagrant mobility. Eight dole cheques adorn the mantle of a recipient's one-time fireplace. He has been in New York for six months and, because of the risk of being had up for fraud, the $452.64 has never been locked into a personal account.

Letters

Under a bushel?

MOST of your feature writers own up to their contributions. Who is the coy "Special Correspondent" responsible for Canandian Socred? (June 1)

W Roy Hill
Waikanae Beach

OUR writer's anonymity, regrettably, is obliged by his working full-time for another news media organisation which discourages its staff contributing to rival publications. — Editor.

Effects of tour

YOUR editorial opinion against the Springbok tour is undoubtedly sincere but, in your closely reasoned contention calling on the Government to cancel the tour, one point is absent. The dire consequences which you say will befall New Zealand if the tour goes ahead have not been exacted against any major power maintaining sporting contacts with South Africa.

The conclusion must be drawn that we as a small country are being blackmailed and many who would agree with what you say resent this blackmail. Just as those who were pro-tour have switched because they fear the consequences; so many who would not cross the street to watch a football game support the tour because they see a principle at stake.

Neither do I think the exposure of Hart officials who are Communist is irrelevant. If the Communists are exploiting the tour furore through the Hart agency, the tour's cancellation will be signalled as another significant step in the progress of the revolution — all the more cherished if gained after a long and provocative propaganda campaign as only they know how to orchestrate.

I think the Government, in refusing to take the unilateral decision you wish, is mindful of this final implication.

Ned Haliburton
Orewa.

Tradespan replies

REFERRING to your edition of June 1, 1981: our company is not owned by Mr T Ah Chee and Progressive Enterprises do not lease their retail outlets from us. We are surprised and publication of incorrect facts could be avoided by perusal of the company registers.

S A Tse
Managing Director
Tradespan NZ Ltd

Labour and factor tax

I READ with interest your article on factor tax (*NBR*, June 1) and would like to put the case for the Labour Party's proposals, because the article made arbitrary statements which could be misconstrued as Labour Party policy, such as basing tax on all capital assets, presumably including the family home etc. This is totally incorrect and would never happen under a Labour Government.

The Labour Party has long recognised that the taxation system is not working, and that the sector that earns almost three-quarters of our export income needs positive encouragement to increase production.

When the taxation system acts as a direct disincentive, all the fertiliser subsidies and livestock incentive schemes that can be dreamed up will never be truly effective until the profit is put back into farming.

In 1978 our election *manifesto said that* we would investigate the possibility of instituting a factor tax. Since then the Labour Party has done a great deal more work, and has found that there are several proposals that reward additional production, which should be considered.

Thus, on becoming government, we will initiate discus*sions with farmers and other in*terested groups on the concept of a production incentive tax/bonus which has the aim of rewarding increased production.

As Shadow Minister for Primary Industries, I have had extensive and diverse discussions with many sectors of the farming community and have found that they agree that the status quo is not effective, and that change is essential — and that they are prepared to work with a Labour government to achieve this change.

No radical changes to agricultural taxation will be instituted by a Labour Government without agreement from farming organisations.

Basil Arthur MP
Labour Shadow Minister for Primary Industries.

Downstage finances

THE *article* on the financial situation of New Zealand theatres in the May 11 issue had two references to Downstage Theatre which were incorrect.

It was reported that Downstage incurred a deficit of $80,000 last year. The deficit for the year ended March 31, *1980 was $8,595.* Midway through 1980 the theatre was projecting a possible deficit as high as $80,000 for the March 31, 1981 year end.

However, action taken by the theatre's management over the last half of the year reduced that projected deficit to $44,000.

The rumour that the board of directors intended firing all acting staff is a ridiculous notion and simply not true. The board proposed that the theatre could no longer afford to carry a permanent company of actors on yearly contracts unless they could be cast in all plays included in the year's programming.

Actors are now contracted for *longer terms only when it is* clear that they can be cast on a continual basis.

At no time did the Arts Council indicate to the board of directors that it intended withdrawing its grant. The board of directors was responsible for all steps taken to cure the shortfall of funds and to date these have contributed to a rapid recovery without loss of artistic objective which is the purpose of the theatre's existence.

Richard Cathie,
Chairman,
Downstage Theatre.

"We work on the principle of supply and demand here. We supply the goods and demand people pay our price."

Politics

A divided Government and the ordinary bloke

by Colin James

"I TRY to be down the middle of the line . . . I intend to stay in the middle of the road until someone knocks me down."

So said Ben Couch in an interview with me in 1978. Well, the juggernaut of outraged liberalism has knocked him down.

Couch is not a malicious, brutal racist. In manner he is one of the gentlest sorts of people you will ever meet.

There is a kindly, well-meaning quality to the man, a charming humble simplicity.

In the 1978 interview he was still exuding a sense of wonderment at having made it to be an MP three years earlier.

"I'm so used to being in the cookhouse," he said in the interview. "It's *very* difficult at times to see me sitting up there in the front seat and yet I feel for those people at the back.

"I know how they feel because I've done it all my life."

He claims no special insight, no politician's omniscience.

"I always like to appreciate the other guy's point of view," he said in the 1978 interview. "I like to listen. My experience has taught me to listen to the other fellow's point of view."

He went further: "I've never met a man I didn't like. I accept him for what he is."

Notice the word "man". Couch is conservative, traditional — reactionary by today's standards.

Much of his phraseology is of the fellowship of "men", of "discipline", of authority. The world of Couch the devout Mormon is the hierarchical, ordered world where a firm paternal hand is the guarantor of a stable society, where a clip on the ear (the birch) is administered not for revenge — as most *birchers* want — but for the good of the soul of the recipient.

When he said in his fateful *Newsmakers* interview that he considered all people the "children of God" he was not indulging in politician's cant. In the 1978 interview he said: "I just consider everybody back in that electorate to be *part of me*."

I believe that.

And I think the Prime Minister correct to underline in *My Way* "unpretentious" Couch's achievement "in the pakeha world, or if you like and more correctly, the world of ordinary New Zealander." Couch is a shining example of the deferential assimilated achiever — as *My Way misguidedly* says, "the best evidence that I have of racial harmony."

"Certain lightweight journalists," *My Way* adds, "who try to denigrate Ben Couch merely underline their own incompetence."

I have no intention of denigrating Couch. He has unwittingly done that to himself. The "simple honest philosophy" of paternalism that *My Way* admires in Couch has led him down the path of disgrace.

It is clear that he is prepared to accept or at least tolerate the "homeland" policy of the white South African Government and seems to have thought that was somehow different from the apartheid system of which it is an integral and indivisible part.

Thus he could join the *Cabinet in* opposing apartheid and see no incompatibility in also saying that "at this stage . . . some form of separate development may be unavoidable".

Honest Ben Couch . . . has his uses.

He emphasised "infighting" between *black* tribes as justifying keeping them apart in homelands. It seems to have escaped him that the homelands are intended to keep black tribes apart from the white Afrikaaner tribe.

One of the "liberals" in the Cabinet might have told him. One of the "liberals" in the Cabinet might have insisted he retract all his comments publicly or that Cabinet specifically and vehemently repudiate *them*.

And the "liberals" might have taken care not to spring chivalrously to his defence as did articulate Jim McLay, yet again chipping an edge off his "liberal" reputation with over-eager standard-carrying for the Government in whatever scrap it finds itself. (Remember his 1979 defence of the "fiscal *regulator" — portent of things* that followed.)

Sure, there were hot exchanges in private. But the public message to Lagos, Dar-es-Salaam and Pretoria left an aftertaste of condonation.

South Africa, seeking a way back to the bigger world, as South African Rugby Board president Danie Craven put it, will be delighted. Nigeria and Tanzania, already threatening a sports boycott and moves to obtain a humiliating shift of the Commonwealth finance ministers' meeting from Auckland, will redouble their efforts.

There is a "liberal" case to be made for letting Ben Couch the individual speak his mind. In my view that case is unassailable.

But Ben Couch is more than an individual. He is a part-Maori minister with special responsibility for Maori affairs. When he speaks, he speaks for the Government and for all New Zealanders and for his own race.

His words, and those of the 12 other National MPs who support the tour, undermine the Government's professed opposition to the tour. They give grounds for African belief that the Government has not done — because, deeply divided, it cannot — all in its power to get the tour called off, even short of refusing visas.

(Example: Marilyn Waring suggested withdrawal of state corporations' services; a parliamentary resolution could have been sought at the earliest opportunity.)

Couch's words thus have the potential to harm others, by encouraging the boycotters, just as does the Rugby Union's exercise of its freedom.

The Government has chosen a J S Mill sort of argument to refuse to interfere with the generally legitimate freedom of rugby players to play whom they wish (a sensitivity it did not feel when it came to blasting Jim Knox for exercising his freedom to speak on workers' behalf in Geneva).

Even Mill, however, allowed that there is a point at which the harm to others outweighs the value of the freedom. It is for the Government, and for Couch as a member of the Government, to be on vigilant watch for that crossover point and, when it is reached, to curtail the freedom accordingly.

It is clear the Government does not think that point has been reached in either, the Rugby Union's or Couch's case.

It has no intention of allowing academic — and, since Tony Benn as a senior minister led the 1975 campaign against the official line on the 1975 British referendum on the European Economic Community, outdated — notions of collective Cabinet responsibility to oust Couch.

Indeed, it seemed to have turned the notion on its head and adopted collective responsibility for Couch, just as at other times and in other circumstances it has shouldered the responsibility for incompetent and "unwise" ministers kept in their jobs.

So, while Derek Quigley's refreshing pecadillos of independence in other areas attract a rebuke in *My Way* as "out of character for a National minister" and "having forgotten that he is part of a team", Couch's equally refreshing breach of the hermetic seal attracted only the public comment that he was foolish for going on television (not for what he said) and a private "kick in the pants" (Couch's phrase).

The Government's dilemma is understandable. For it knows Couch speaks for the majority who in their heart of hearts want the tour.

Fear of violence is not real opposition to the tour. Even fear of international repercussions is the wrong reason to oppose the tour.

The real reason is moral: that apartheid is a fundamental human disgrace and any condonation of it, however slight, is a disgrace too; that apartheid depends on systematic degradation and brutality; that its masters are evil and vicious men.

But the ordinary New Zealander does not know or care much, or anything, about apartheid — or Africa, for that matter. Couch, speaking for the tour, speaks for them.

He is therefore important to a Government which has elevated the ordinary bloke to electoral sainthood.

"Growth strategy" is no slogan to court that vote. Other means have to be found and (too) honest Ben Couch is (unwittingly?) part of those means.

Behind the war of lofty and noble words about development is there a second, more basic and earthy (and thus dirty?) campaign going on? I will look at that more closely next week.

'Spend now, borrow to pay' growing trend for Govt

by Bob Edlin

PARLIAMENT has been giving its blessing to the increasing Government practice of financing current expenditure with borrowed money.

Under the Public Finance Act 1977, the Government may transfer Loans Account funds to meet deficits in the Consolidated Account, subject to authorisation by Parliament of the maximum transfer in any one year.

It's a facility which the Government has found more than handy in an era of high internal deficits before borrowing.

While levels of capital expenditure have been fairly constant over the last three years (see table), the amounts of current expenditure financed from the Loans Account have increased significantly, from $417.4 million in 1978-79 to $682.1 million in the year to March 31.

In his report on the Public Accounts for the year ended March 31, the Controller and Auditor-General shows to what uses the loan money represented by the outstanding public debt has been put.

"The most signicifant issue. . . is that, after only three years, the largest single item is the aggregate of transfers from the Loans Account to the Consolidated Account. . . amounting to $2364 million," the report notes.

That sum is "equivalent to one-fifth of the public debt outstanding", and it "has been applied in the Consolidated Account in large measure to finance $1401.3 million of current expenditure".

Other major users of loan money are the electricity division of the Ministry of Energy ($2275.3 million), the Housing Corporation ($1592.8 million) and the Rural Banking and Finance Corporation ($1304.3 million).

In his report in 1979, the Controller and Auditor-General drew attention to the use of loan money to meet a shortfall in Consolidated Account revenue "beyond the limits of what was basically capital expenditure previously met from loan money (i e to meet current expenditure)."

He said this represented "a significant departure in New Zealand from previous practice in the system of Government finances".

The Audit Office did not question the facility as such, and acknowledged that its use might be justifiable in time of economic downturn, for example.

But it was a facility "which obviously should be availed of sparingly and be subject to responsible constraint", the report cautioned.

Whether the amount of loan money transferred in 1978-79 was excessive was a matter of opinion. "The final judgment must be that of Parliament itself because it is in the hands of Parliament to decide how much money raised by Government borrowing may be spent each year, and in what manner."

A year later, the report of the Controller and Auditor-General repeated the caution. It noted then that money from borrowing had again be used in 1979-80 to finance current expenditure of the Consolidated Account.

And Treasury was asked to comment on financing the deficit in the Consolidated Account with a transfer that year to the Reserve Account.

Treasury replied that the continued transfer of loan moneys to finance the deficit in the Consolidated Account was justified on the grounds "that substantial capital activities previously recorded in the Works and Trading Account and financed from the loan moneys are now being funded from the Consolidated Account".

Transfers in excess of the amount needed to finance those capital activities previously met from loan moneys were necessary to encourage "the fuller use of the country's resources" and to maintain economic activity in general, Treasury explained.

A transfer of $80 million from the Consolidated Account to the Reserve Account had been made to cover the backdating element of the general adjustment granted to public servants from November 10 1979, Treasury pointed out. "The transfer was fully justified on the grounds of making a specific provision for a known large commitment."

This year, hey presto! The $80 million have bounced back into calculations in the latest report of the Controller and Auditor-General, who draws attention to them in the table reproduced above.

If that $80 million had not been used as it was, the loan money used to finance current expenditure in the last three years would have been: 1978-79 — $417.4 million; 1979-80 — 381.8 million; 1980-81 — $602.1 million.

The question of the "considerable increase" in the amount of loan money being used to finance current expenditure in 1980-81 was referred to Treasury for comment on May 18. Treasury replied on May 22.

Treasury points out, first, that the transfer of $956 million from the Loans Account to the Consolidated Account was "well within the amount of $1250 million authorised by the 1980 Appropriation Acts" (of course, enacted by a Parliament dominated by the Government which is spending the money).

As Treasury acknowledges, the transfer was $278 million more than the $678 million transferred the previous year. This time it observes that a larger transfer was needed to cover lower than expected income tax receipts "and generally to maintain a stable level of economic activity".

Treasury also notes the transfer of the $80 million back from the Reserve Account to the Consolidated Account, which covered the payment of salary arrears in 1980-81 to public servants.

Treasury's viewpoint, of course, is a matter open to debate.

The Auditor-General's report also explains how money was borrowed.

It notes that the Loans Account — which records new borrowings — increased by $873.6 million (54 per cent) in the March 31 year. The greater proportion of this (63 per cent) was raised overseas, effectively reversing the ratio of internal: overseas borrowings in the previous year.

Out of the total of $1570.2 million raised overseas, $923.8 million was drawn under the Lloyds revolving credit facility. Of that amount, only $405 million, effectively, amounted to new drawings; the rest represented maturing tranches redrawn.

Loans raised internally ($917.7 million, or 37 per cent of total borrowings) were $125.2 million less.

Two-thirds of this came from special issues of government stock to the Reserve Bank for its portfolio operations.

Cash issues for public subscription accounted from most of the rest — a reversal of the pattern in the previous year, when cash issues for public subscription produced 82 per cent of the total raised.

The Government transferred $956 million to the Consolidated Account; $740 million was transferred to the Loans Redemption Account to restore it to a credit balance.

In the upshot, the balance of the Loans Account decreased over the year by $500,000.

Financing the Consolidated Account Deficit

	1980-81 $(m)	1979-80 $(m)	1978-79 $(m)
Transferred to Consolidated Account from Loans Account	956.0	678.0	730.0
LESS Capital expenditure	352.1 (1)	294.8 (1)	307.4 (1)
	603.9	383.2	422.6
PLUS Transfer from Reserve Account	80.0 (2)	(80.0) (2)	....
	683.9	303.2	422.6
LESS Increase in balance of Consolidated Account	1.8	1.4	5.2
Loan money used to finance current expenditure	682.1	301.8	417.4
As percentage of total Consolidated Account receipts	7.6	4.0	6.4

(1) Capital expenditure is all expenditure classified as such in accordance with the definition in the 1980-81 Estimates: "Capital: All payments made in respect of purchases of assets or the construction of assets, including aircraft, building and civil engineering works, equipment and instruments, land and existing buildings, motor vehicles, office equipment, furniture and fittings plant, etc".
(2) The amount of $80 million was transferred in 1979-80 from the Consolidated Account to the Reserve Account in terms of section 38 (3) of the Public Finance Act, which permits the transfer of such sums as, in the opinion of the Minister of Finance, are in excess of the amount reasonably required for the purposes of the Consolidated Account. Since in that year the Consolidated Account required an injection of $596.6 million from borrowing to meet its ordinary obligations, the transfer to the Reserve Account was in effect an allocation of loan money to that account. The retransfer to the Reserve Account of the $80 million in 1980-81 to the Consolidated Account therefore represents an additional allocation of loan money for the purposes of the Consolidated Account.

Finance

The business week

Australian Paper Manufacturers Ltd has received acceptances for 70.4 per cent of **Containers Ltd.**

Collingwood Holdings Ltd: net profit for the year ended March 31 was $289,190 (last year $177,152). A final dividend of 2.5 cents will be paid on August 5.

Ebos Dental and Surgical Supplies Ltd: net profit for the 15 months ended March 31 was $377,869 (last year $250,220). A final dividend of 4 cents will be paid on August 5.

Email Ltd: net profit for the 15 months ended March 31 was $A21,906,000. A final dividend of 2.75 cents will be paid on August 7.

Endeavour Corporation Ltd: net profit for the year ended March 31 was $2,781,774 (last year $2,262,119). A final dividend of 5 cents will be paid on September 7 and a 1-for-5 bonus issue made.

Greggs Ltd has received acceptance from holders of 76 per cent of **Wilson Distillers Ltd** and has extended its offer to June 26, pending final Government approval.

Holeproof Industries Ltd is proposing a 1-for-1 bonus issue, participating in full in the final dividend, plus a special dividend of 50 cents a share.

ICI Australia Ltd: unaudited net profit for six months to March 31 was $A18,991,000 (last year $A29,512,000). An interim dividend of 6 cents will be paid on September 1.

Lanes Industries Ltd: net profit for the year ended March 31 was $207,620 (last year $56,654). A final dividend of 15 per cent will be paid.

Manawatu Radio Company Ltd's issue of 443,000 $1 shares at $1.10 closed fully subscribed.

Marac Merchant Banking Group: net profit for the year ended March 31 was $2,092,000 (last year $1,118,000).

NZ Forest Products has acquired with shares the 51 per cent of **Office Typewriter Co Ltd** it did not already own.

Repco Ltd has bought **Jardine Engineering Corporation Ltd's** 50 per cent stake in **Repco Auto Parts (Hong Kong) Ltd.**

Rheem New Zealand Ltd: net profit for the year ended May 31 was $1,205,000 (last year $841,000). A final dividend of 3.5 cents will be paid and a 1-for-3 bonus made.

W Sutherland & Co Ltd: net profit for the year ended March 31 was $99,693 (last year $271,955). A final dividend of 5 cents will be paid on July 28.

Vacation Hotels Ltd: unaudited net profit for six months to April 30 was $1,263,191 (last year $691,210).

Wilkins and Davies Construction Co Ltd: net profit for the year ended March 31 was $845,194 (last year $814,343). A final dividend of 13 cents will be paid and a 1-for-4 bonus issue is recommended.

Winstone Ltd: net profit for the year ended March 31 was $3,633,000 (last year $3,751,000). A final dividend of 4.5 cents will be paid on August 21 and a 1-for-10 bonus issue made.

Data Access service still alive

by Stephen Bell

INFORMATION broker Answer Access may have foundered, but the Data Access service is still very much alive, in the hands of the company's agents.

BK and L Foulds, of Small Business Software Ltd, have confirmed to *NBR* that they will continue to operate the Data Access service in the Canterbury area, providing research and information services, including overseas information retrieval through the Oasis link.

BK Foulds was concerned that *NBR's* earlier report (June 15), referring to the company in receivership as Data Access, might have cast doubts on the continued health of his own Data Access service.

Though the failed company was colloquially known by both names, the official name of the firm was Answer Access. Data Access is the name of the *service* offered by Answer Access and its agents.

"The failure of Answer Access Ltd in no way restricts our ability to provide this service, which we are now seeking to expand," said Foulds. In its moves to grow, it is collaborating with another Data Access agent in Invercargill.

The *NBR* article commented on the unusual approach taken by Answer Access to handling queries. These points "do not apply to us at all", Foulds maintains.

"We undertake all searching in close consultation with our clients and constantly review progress with them. We also agree with clients what form of report or output they require."

The Christchurch organisation contracted with Answer Access for the rights to use the Data Access name and facilities, in return for a lump-sum payment and payment of a percentage of customers' search fees to Answer Access. The facilities used have for some time been totally independent from the failed company.

"We are a creditor (of Answer Access) to a certain extent," said Foulds, but he was more concerned at possible damage to his company's reputation than any financial losses, he indicated.

There is at least one other Data Access agent in Palmerston North, but this company could not be contacted as *NBR* went to press.

Final assessment of Answer Access' indebtedness had still not been completed, the receiver said last week.

He confirmed that the debenture holders who called him in, Geoffrey Aldridge and Antonius Verhaaren, were no longer directors of the company, having resigned in May.

Facom success

JAPANESE computer manufacturer Facom is about to gain what it has long been trying for — a Wellington customer for its IBM look-alike computers. It seems almost certain that the machine will be going into a Government department.

On the strength of the upcoming order, Facom is establishing its head office in central Wellington. To date, the company has been entirely Auckland-based.

A spokesman confirmed that a Wellington order was near conclusion, but declined to name the client. A scout around promising government departments also turned up no comment.

The early — and so far the only — success for these Facom machines was the installation last year at Air New Zealand.

Stock Exchange weekly review

FOR WEEK FRIDAY JUNE 12 TO THURSDAY JUNE 18

	Last sale	Week's high	Week's low	Turnover
[illegible]	125	...	...	0
[illegible]	125	125	125	600
[illegible]	...	...	...	0
[illegible]	...	...	...	0
[illegible]	365	360	362	3400
[illegible]	172	177	172	12000
[illegible]	290	290	290	22200
[illegible]	133	136	133	104700
[illegible]	112	112	112	5400
[illegible]	123	123	120	24600
[illegible]	338	345	338	8100
[illegible]	365	365	365	2400
[illegible]	225	225	225	300
[illegible]	265	270	265	3600
[illegible]	247	...	...	0
[illegible]	225	...	...	0
[illegible]	147	150	147	51600
[illegible]	130	130	130	900
[illegible]	142	142	142	300
[illegible]	150	150	147	3100
[illegible]	121	...	...	0
[illegible]	127	127	127	200
[illegible]	365	370	365	38700
[illegible]	370	...	...	0
[illegible]	80	...	...	0
[illegible]	60	...	..	0
[illegible]	290	290	285	2900
[illegible]	45	48	45	60300
[illegible]	380	385	380	1100
[illegible]	300	...	...	0
[illegible]	46	46	45	12900
[illegible]	46	46	45	10400
[illegible]	540	540	530	2000
[illegible]	215	216	216	2200
[illegible]	255	...	...	0
[illegible]	150	...	...	1600
[illegible]	270	...	...	0
[illegible]	375	375	365	7400
[illegible]	82	82	82	1000
[illegible]	128	128	128	49300
[illegible]	110	110	110	2300
[illegible]	600	...	...	200
[illegible]	437	437	437	3500
[illegible]	88	88	88	13600
[illegible]	370	370	360	1700
[illegible]	140	150	140	125000
[illegible]	468	483	465	80360
[illegible]	255	...	...	0
[illegible]	68	69	68	8100
[illegible]	2550	2550	2470	1030
[illegible]	86	..	..	0
[illegible]	140	140	138	7600
[illegible]	390	390	380	25800
[illegible]	360	380	350	1800
[illegible]	230		..	0
[illegible]	175		...	0
[illegible]	345	345	345	28700
[illegible]	200	.	..	200

	Last sale	Week's high	Week's low	Turnover
Haywrights 5 pref	65	...	...	0
Healing	285	285	285	19900
12% conv pr	285	...	...	1000
H Pollard	520	520	520	1300
10% conv pr	400	400	400	9860
Henry Berry, 50c	185	190	185	7200
10% debs	235	...	...	0
Holeproof	375	380	375	2300
Hooker, 50c	73	...	...	0
Hume Industries	180	180	180	1500
5-7.5% pr pr	42	...	...	0
I C I (Aust)	155	...	...	0
I C I (NZ)	230	232	230	15000
Ind Broadcasting	110	...	...	0
Independent News	225	226	226	22400
Ind Chem, 50c	226	...	..	500
Intertasman NZ, 50c	...	...	...	0
I W Dow, 50c	255	260	255	3500
James Smith, 50c	85	86	85	900
14% conv pr	57	57	57	100
12% conv pr	65	...	...	0
J Burns	104	108	104	13100
12% conv pr	208	208	208	200
John Edmond	285	285	282	14900
J Webster, 50c	75	75	75	4100
12% conv pr	53	53	53	1000
J Nathan	130	130	130	500
6.5% pr	125	...	...	0
J Rattray	230	230	228	1400
12.5% conv pr	180	...	.	0
L W Rudkin, 50c	86	87	86	32600
12% conv pr	120	122	120	700
Lanes, 50c	80	80	80	9100
L D Nathan	235	240	232	7400
9.5% conv debs	227	...	...	0
16.5% conv pr 90	232	240	232	3700
Leyland, 50c	195	195	195	3400
Lion, 50c	166	156	153	106700
10% conv pr	158	158	152	6100
12% conv pr	122	122	118	6000
L & M Oil, 50c	42	42	38	47200
Lusteroid	270	--	...	300
Mainzeal Corp, 50c	200	200	185	1000
15% conv pr	80	...	...	0
Mair, 50c	300	300	300	4700
11% conv pr	295	295	285	200
Manawatu, 50c	110	110	110	1800
Manthel	210	210	205	700
Marac	450	460	450	5200
McAlpine, 50c	110	112	112	38000
McKechnie	240	245	240	29700
Midland	195	195	195	800
11% conv pr	170	170	170	300
Min Resources, 20c	145	150	120	268609
M O'Brien, 50c	70	70	70	6100
12% conv pr	50		.	0
spec pr	53	53	53	100
Montana, 50c	160	160	158	13780
M P I M	205	205	205	300
11% conv nts	170			0
Motor Holds, 50c	200	200	198	27600
12.5% pr	102	...	...	0
Motor Trad, 50c	75	75	78	16300
5-6% pr	60	...	...	0
11.5% conv pr	60	60	60	80000
MSI Corpn, 50c	106	107	100	85505
12% conv pr	102	102	100	26200
Mt Cook	195	195	195	19300
M I M Holds, 50c	760	...	.	0
Nat Insce, 50c	315	320	312	23000
National Trading	...	...	...	0
8% pr	...	...	..	0
Naylor	150	...	...	0
5% pr	30	...	...	0
Nell Holdings, 50c	85	86	82	70300
N Z Cement	160	162	160	32800
N Z F C, 50c	142	142	142	18200
11% conv pr	122	122	120	1200
N Z Farm Fert	218	220	218	41400
12% conv pr	180	180	180	2700
14% conv pr	170	170	167	7300
N Z F P	430	440	428	72650
N Z I G	445	450	445	600
N Z I	305	...	...	0
10% conv pr	310	310	300	7800
N Z Leathers	45	45	45	1500
N Z Motor Bodies	85	85	85	4000
N Z M C	210	214	205	19100
N Z News	245	247	245	7500
N Z Petrol, 50c	700	—	--	1000
N Z Refining	155	156	155	11300
NZSB	103	106	102	305000
N Z Steel	235	236	230	27100
N Z United	1000	----	----	0
Nuhaka	280	280	280	1000
Odlins, 50c	107	108	103	158600
'A' 6% pr	68	---	...	0
12.5% conv pr	80	80	76	1800
'B' 13% conv pr	79	80	78	6800
16% conv pr	76	..	.	0
Oil Search	57	57	57	3600
12% conv pr	60	..	..	0
Optic	57	57	57	4600
Otago Press & Prod	145	...	...	800
Pavroc Holdings	240	...	...	0
P D L Holds, 50c	208	210	208	2200
Perm Invest	110	—	...	0
Phillipps & Impey, 50c	225	230	225	4500
Print & Packaging	203	203	200	7600
11.5% conv pr	185	188	175	2600
Progressive	480	483	480	22800
12% conv pr	930	930	930	2200
Prop Securities, 50c	200	200	195	4300
Prud Building	135	135	135	800
Quill Humphreys, 50c	111	111	111	600
12% conv pr	100	100	100	200
Radio Avon, 25c	102	102	100	9700
Radio Otago	93	93	93	300
Regina	180	155	150	2700
R & W Hellaby	105	105	101	82300
Reid Farmers	325	330	330	400
Repco (NZ), 50c	90	92	90	14600
Revertex	330	—	—	1600
Rex Consol	340	340	340	2500
conv pr	185	185	185	1300
Rheem, 50c	250	260	240	2600
Ricketan, 50c	242	...	...	0
Rothmans, 50c	162	160	150	39600
R W Saunders	270	270	270	800
Salmond	225	228	225	1900
Sanford	370	370	370	2600
pr	310	310	310	100
12% conv pr	300	---	---	0
12% 'B' conv pr	275	---	---	0
Schofield	185	158	155	2600
Scott, 50c	100	100	99	57300
12.5% conv pr	80	90	90	2800
Selby	270	--	---	5600
Skellerup, 50c	390	405	385	12700
5-7.5% pr	40	—	..	0
Smith Biolab, 50c	180	183	178	7000
12% conv pr	148	---	---	62300
Smiths C M	180	162	160	10900
Sthn Cross Hotel	180	140	140	0
Sthn Cross Mine, 20c	62	60	60	28450
S F M	293	296	275	88300

	Last sale	Week's high	Week's low	Turnover
Spedding, 50c	70	70	70	300
12% conv pr	76	..	..	9800
Steel & Tube, 50c	143	145	140	156800
Suckling	165	165	158	300
Taylors	150	150	150	2900
12% conv pr	170	170	170	1000
Tellherm	182	182	182	9700
12% conv pr	135	135	136	800
T J Edmonds	310	310	310	1300
Tolley	195	198	188	10200
Tour Fiji	37	37	37	200
Trans Ashburton, 50c	80	80	80	5200
TNL Group, 50c	120	123	120	49400
10% conv pr	87	87	86	3700
12% conv pr	103	103	103	1200
Trans (Nth Cant)	135	136	135	1000
13.5% conv pr	115	115	115	500
15% conv pr	115	...	...	200
U E B, 50c	132	135	125	80400
6.5-7.5% pr	115	..	..	0
12% conv pr	107	107	100	4600
15% conv pr	72	72	70	36800
Union Steam Ship	82	.	..	0
6.5% pr	78	.	..	0
United Bldg	110	110	110	300
United Publishing, 50c	290	290	290	500
Vacation, 50c	95	98	90	11900
12% conv pr	70	70	60	200
12.5% conv pr	86	90	86	100
Waitaki NZR	203	244	240	29100
11.5% conv pr	202	202	195	5000
Walker & Hall	450		.	0
Wattie, 50c	180	188	183	69600
12.5% conv pr	113	113	110	7400
Wolges	430		.	700
Westbridge	280	280	250	3000
Wilkins & Davies	360		.	3400
5.75-7.5% pr	58	58	58	500
W Jeffery	155	155	155	200
12% conv pr	143	..	.	0
Wilson & Horton	445	445	445	8400
Wilson Distillers	155	155	155	100
Wilson Neill	118	118	118	6900
12% conv pr	170	170	170	1800
Winstone, 50c	76	78	75	244000
12% conv pr	57	57	56	28200
W'Wths (NZ) Props, 200c	68			0
6.75% pr	72	.	.	0
W'Wths Aust, 50c	245	.	..	0
Wormald	315	310	310	5400
5.7.5% pr	112	112	112	100
W Sutherland	115	115	115	300
Yates Corp	442	455	442	7050
conv pr	170	170	170	20000

Finance

Brokers 'branching out'

From Page 1

visits to other cities, but a number of firms have gone a step further by regularly sending "undercover" agents to other cities on particular days of the week. At least one firm is understood to have a fulltime employee in another centre, acting as agent.

However, there is a difficulty in defining the term "branch office" while all brokers have affiliations with other firms who act as their agents on the trading floors, the difficulty is in deciding whether a branch office is a person making phone calls from a hotel room or one who uses the offices of "friends".

A Justice Department paper backgrounding the proposed change to the Sharebrokers Act is due to go before Cabinet soon.

And *NBR* understands any controversy over the rule-bending by some brokers may result in the proposed amendment being deferred, rather than proceeding through the House, as planned.

But while the association is treading softly on the matter some brokers are unhappy about the present use of fulltime representatives because they believe this is equivalent to having a branch office and therefore they should be able to deliver contract notes to the agents for delivery (payment).

At present if a broker deals with another firm in the same city he can expect a cheque for the shares bought the same day the contract notes are delivered.

But when dealing with brokers in other centres, cheques aren't normally received until a day or two later.

Some brokers reason that the "undercover" agents working for the firms in other centres should be liable for acceptance of the contract notes and payment on the same day.

A one-day time lag on payment may not seem great, but when hundreds of thousands of dollars are involved, holding costs can be considerable.

But there is another more important reason why the association is apparently unhappy about branch offices being established on the quiet.

The present setup with four exchanges means members belong to their own exchange, rather than to the association.

And each exchange has an exchange inspector — a public accountant who regularly inspects the brokers' books.

The establishment of branch representatives and unofficial offices would interfere with this safety precaution.

NBR understands the Justice Department is keen to see the exchanges tidied up by the establishment of the New Zealand Stock Exchange.

But the Justice Department may not necessarily be happy with all the association's rules for members — and because of this the association is anxious not to get offside with the department before the amendment is passed.

The association had to defend its branch offices rule last year when the Commerce Commission challenged it.

But a High Court hearing on the branch offices went in the association's favour when the court ruled the question was not subject to Commerce Commission jurisdiction.

NBR asked association executive director Barle Stewart last week about the growing practice of getting around the branch office rule.

His response was that "the association has taken the issue of its rules to the High Court and following the court's ruling we have an obligation to ensure that all members abide by the rule on branch offices".

He said that if a complaint was laid, and proven, disciplinary action would be taken.

The branch offices rule has become something of an exchange "chestnut" over the years, and has regularly been debated by the various exchanges.

The voting structure of the association has kept the branch office rule intact.

Because of each broker's membership of his local exchange, the four regional exchanges themselves in turn constitute the members of the association.

This means that if a majority of Dunedin members, for example, oppose removing the branch offices rule, the Dunedin exchange would oppose it also in a national vote at association level.

Under the proposed New Zealand Stock Exchange each member would have a vote at the association level and be able to vote directly rather than indirectly as at present.

And that could well swing the vote in favour of branch offices — and stepped up competition among brokers.

Energy

Petrol plant doubts not open to public debate

by **Ann Taylor**

THE Government's wisdom in pushing ahead with the $750 million synthetic petrol plant is fundamentally questioned by the Commission for the Environment's impact audit.

But its first three recommendations, addressed to the Government, have no forum for public discussion within the fast-track decision-making process.

In the first pages of its report the commission recommends that the Government place more emphasis on potential long-term alternatives; that it consider the combustion impacts of various alternative fuels in determining whether the project should proceed; and that it should adopt a programme to eliminate lead additives from petrol and require lead-free synthetic petrol.

Those recommendations concern Government policy and are outside the scope of the Planning Tribunal which will formally receive the commission's report.

In March this year the first tribunal hearing under the National Development Act considered the Petralgas methanol plant. During that hearing chairman Judge Turner ruled that the proposal *per se* was not for the tribunal to consider.

He went so far as to call the Commission for the Environment's questions on the social impact of the project "increasingly irksome".

In its final report the tribunal states: "Some of those who took part in the inquiry sought to have us inquire into the wisdom of using natural gas for the manufacture of methanol for export. The tribunal ruled that the question is not a relevant consideration.

The tribunal hearing the synthetic petrol plans apparently will not therefore hear those points addressed to the Government which the Synthetic Fuels Corporation did not consider it appropriate to make any comment on, either.

Energy Minister Bill Birch did release a statement on the day the audit was released. It said the Liquid Fuels Trust Board had had regard to the variety of options available and had come up with "an optimum mix, subject to a final analysis of the cost and technology available." And he conceded that "at present more study needs to be carried out on lead levels in blood".

The next day he announced that the commission had "exceeded its brief" in investigating the economics of the proposal.

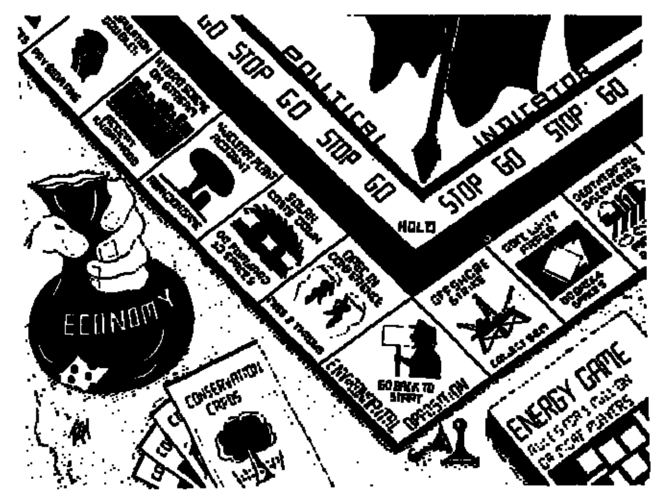
The National Development Act calls for an economic statement of the economic effects of a proposal from the proposer but allows no independent analysis.

Environment Commissioner Ken Piddington asked *NBR* "what could be of more concern to the environment than fuel supplies and lead levels?"

Birch said the environment watchdog did "not have enough expertise in economics to be taken seriously".

Piddington said the recommendation on lead levels "was the single most important environmental recommendation".

Piddington said all the recommendations would be debated "largely because the audit is a public document . . . If it is a matter of general interest it will be debated," he said.



Cartoon: NZ Energy Journal.

Business

Analysing annual accounts: BNZ Finance

by Klaus Sorensen

A DECISION to take advantage of the Bank of New Zealand's nationwide branch set-up, and a move into hire purchase, has paid handsome (and overdue) dividends for BNZ Finance Ltd shareholders.

It used to be an anomaly that the country's largest bank operated one of the smallest finance houses.

But two years ago the company changed direction and decided to tap into the umpteen hundred Bank of New Zealand branches. The result is dramatically illustrated in BNZ Finance's 1981 annual report.

The six-yearly review shows very slow growth in gross receivables from 1976 to 1979 – from $16.7 million to $21.1 million – but a sharp upturn in 1980 (to $32.2 million) and again for 1981 (to $50.8 million).

Gross income has increased proportionately slightly faster, from an unbelievably low $2.5 million in 1976, to $10.5 million in 1979, $14.9 million in 1980, and finally $20.1 million in the latest year.

Net profits have risen from $192,000 in 1976 to $781,000 in 1979 and $1,633,000 for the March 31 1981 year.

Dividends remained unchanged from 1976 to 1979, then the rate was finally increased from 12.5 per cent to 14.5 per cent. The latest year saw a boost in the dividend to 20 per cent.

Chairman George Chapman says in his review total assets increased from $112.2 million to $139.5 million and "profitability benefited from the expanding business base and improved operating efficiencies . . ."

He says customers made increasing use of the company's hire purchase plan which has been available since July 1979 through the BNZ branches, and "the success of the plan has identified other areas where consideration is being given to further development of our business relationship with the Bank of New Zealand".

His review provides a breakdown of the 1981 net receivables of $50.9 million, but unfortunately does not provide comparative figures for 1980 to illustrate the growth in various areas.

The largest portion of receivables ($21.3 million) went to transport and motor vehicles, $14.6 million went to manufacturing and heavy industry, $6.4 million to farming and forestry, and $7.7 million to service industries. "Other" businesses received $900,000.

The company's fund-raising naturally enough showed a similar increase, with debenture stock on issue increased from $44.7 million to $58.6 million.

In the commercial bills market BNZ Finance more than doubled the level of bills discounted for customers from $19.5 million to $40.9 million — a 109 per cent increase. By comparison, the total bills outstanding in the New Zealand commercial bills market increased 35 per cent from $400 million to $540 million.

Chapman notes that interest rate swings were marked in the last financial year, with the one-year rate starting the year at 14.5 per cent, falling to 12.75 per cent by October 1980, and then rising again to 14.5 per cent by March 1981.

And Chapman believes uncertain economic conditions and inflation will ensure "interest rates will continue to fluctuate during the 1982 financial year — an observation which, although undoubtedly right, does not exactly fall in the category of daring predictions.

The consolidated revenue statement shows gross income rose 35 per cent from $14.9 million to $20.1 million.

The notes show this figure includes income from Government and local body stock of $1.9 million, income from company shares and debentures of $265,000 ($6000 last year), and income from "other" securities of $8.4 million ($7.9 million).

The company managed to keep the rate of increase in expenses to a lower 31 per cent, despite a 53 per cent jump in the second largest expense — interest on debentures — which increased from $4.7 million to $7.2 million.

The largest expense was interest on deposits and "other interest", up by $1 million from $6.3 million to $7.3 million.

Total expenses were $16.9 million ($12.9 million), leaving a net profit before tax up 66 per cent, from $1.9 million to $3.1 million.

However, tax was up 109 per cent from $745,000 to $1.5 million leaving the net profit after tax (and a $6000 capital profit) of $1,633,000 — a 40 per cent advance.

The balance sheet shows an increase in total borrowings from $100 million to $117.9 million due mainly to a rise in secured debenture borrowings from $44.6 million to $58.6 million.

The notes show that of this latter amount $30.2 million (a 21 per cent rise on 1980) is due within one year and $23.9 million is due within one to two years (a 57 per cent rise). Debentures due over two years are up only slightly at $4.5 million.

Total securities are down slightly from $71.6 million to $70.5 million, and included in this is a fall in trading bank negotiable securities from $41.7 million to $27 million, a rise in government stocks from $15.5 million to $18.2 million and a customers' acceptance liability of $4.7 million (1980 nil).

The investment in company shares and debentures increased from $250,000 to $2.9 million (in line with the increase in income from this source in the revenue statement) and commercial bills were up from $14 million to $15.6 million.

Receivables increased from $37.3 million to $55.8 million (after a $852,000 provision for financing losses) with net receivables making up $50.8 million ($32.2 million) of that total.

The notes show that total receivables were $68.1 million, up from $41 million, but included in total receivables is income written into contracts but not yet earned of $17.2 million, compared with $8.8 million by balance date in 1980, leaving net receivables of $50.8 million.

Current assets have increased from $1.3 million to $6.1 million due mainly to an increase in amounts on deposit from $600,000 to $5 million.

The consolidated statement of changes in the financial position shows funds of $34.9 million were provided from a number of sources, the main one sales of commercial bills and trading bank negotiable securities of $14.7 million (nil in 1980).

Funds were also derived from an increase in secured debenture borrowings, up from $8.5 million to $13.9 million.

These funds were used among other things for an increase in receivables of $18.7 million ($10.9 million in 1980), the purchase of company shares and debentures of $2.7 million (nil) and an increase in the amounts on deposit of $4.4 million (nil).

But one of the most surprising disclosures in the report is the number of staff the company employs — just 60 people.

Overseas trade

Kuwaiti traders hang up NZ shingle

by Lindsey Dawson

THE newly-established Auckland branch office of the Kuwaiti trading firm Al-Masoud and Partner is starting off business in New Zealand with a float of $250,000 to get the trading ball rolling.

The money is coming from Kuwait, and the business will be managed here by Dennis Aoun, whose brother and fellow-partner Kaiser is chief executive of the family company, which has interests in banking, farming, insurance, commodity trading, construction and transport.

It could be the start of big business between New Zealand and Kuwait, an oil-drenched kingdom whose 750,000 nationals share a net income of $65 billion.

Why should they bother with little New Zealand? "It's a new challenge for them, a new area of interest," says the New Zealand "connection", David Lucas.

Entrepreneur Lucas, who initiated Cook's wines and has moved successfully into the Middle East with his wife Vinka's fashion business, has been trading in the Arab lands for some time.

Kuwait is Iraq's major port, and Kuwaiti banks are handling processing business for Iraq and other mid-East countries. Lucas claims that they have become "prime banks" whose credit is accepted internationally.

Lucas has been named executive marketing director for Al-Masoud, and is already seeking to fill contracts not only in this country but also from Australia, Brazil and Argentina. He has his first deal sewn up, he says — 100,000 cartons of canned corned beef ($2.4 million worth) for the Iraqi army. He has filled the order in Brazil. New Zealand prices were too high.

Some of the Kuwaiti orders Lucas is looking to fill could well be too big for New Zealand sources — 100,000 tonnes of apples for instance, or 55,000 tonnes of bananas, 40,000 tonnes of potatoes and 15,000 tonnes of onions.

But the potential is there, insists Lucas, although it may take some change in attitude by New Zealand business interests. "You have to understand the way they do business, and you have to be very much on your toes," he told *NBR*.

"I have been in the Middle East trying to get answers from New Zealand and often they'll take days to telex replies, or say something like 'we'll let you know next month'.

"At the same time the Australians or the Canadians will be saying, 'here's what we can do for you and we're on our way to see you.' We must adopt this sort of attitude if we are to succeed."

The pyramid-type of corporate structure so prevalent in New Zealand is unknown in the Middle East, says Lucas. "Top management there don't sit in penthouse suites remote from the marketplace. Their offices are just as likely to be an unassuming little place in the middle of the south."

Big business there was very much a matter of having contacts and influence, said Lucas. There was a sort of Arab "old boy network" which was very hard to penetrate without having the right connections.

He has already had many inquiries from New Zealand firms wanting to do business with Al-Masoud. He emphasises that Al-Masoud is not interested in being a passive investor in New Zealand. It wants to take an active part in growing enterprises.

The requirement from potential New Zealand associates is to show that they have a good product and that they have the will and the commitment to get stuck into the Middle East market, said Lucas.

"If New Zealand firms are prepared to put money up front, we will do likewise," he said, adding that Al-Masoud would not take any profits for the first 18 months.

He envisages that Al-Masoud will take part in a variety of associations with New Zealand enterprises, ranging from simple agency through joint ventures to investment by Al-Masoud in productive enterprises in New Zealand.

While New Zealand has a variety of products of interest to Kuwait, it has but one to offer us — oil, and the wealth produced from oil.

Admark

New words for old

by Grev Wiggs

JARGON represents the smokescreen into which the experts can rapidly disappear if questioned or challenged. Or the high-frequency noises which specialists make to each other so that common people can't eavesdrop.

Jargon is especially the ritualistic sounds made by members of an exclusive order who seek to impress, confuse or humiliate us lesser beings.

Every profession, trade or calling has its jargon — a password to the inner circle or, at best, a convenient communication shorthand.

This department has the good fortune to be on the mailing list (airmail ex New York, of course) of the mighty BBDO international advertising agency. And we recently received, to our great gratification, a publication called *BBDO Electronic Media Dictionary*.

It is a glossary of media terms used not only in conventional radio and television, but in the context of cable and satellite TV.

So, in future, rather than refer to the old-world TV terms such as "OTO" or "orbit" buying, or even of "pods" or "roadblocks", we might drop in the odd "simulcast" when TV comes, or an occasional "term link" or "multi-point distribution system" and we simply have to find a way to introduce HI-OVIS (which we don't mind telling our faithful readers is Highly Interactive Optical Visual Information System) into our conversation.

For the next time we interview an agency media man (a breed which practically invented jargon) we have the comforting question ready, "What's your churn?"

We promise to be unbearable.

Thanks, BBDO.

Bread on the waters

by Grev Wiggs

THE Floods is a 24-page account of this year's Thames Valley floods published by Hauraki Publishers, producers of the *Thames Star* and the *Hauraki Herald*.

This souvenir publication combines some remarkable photography with a fully detailed account of the disaster.

It was planned to run 5000 copies with a cover price of 75 cents, of which 25 cents was a donation to the disaster relief fund. Because of the demand for the publication, the print run was doubled and all copies were ordered or sold within 24 hours.

As a result the sum available for the relief fund rose to $2500, earning a government subsidy which increased the total to $5000.

In these cynical times it's stimulating to see good journalism combined with good citizenship.

International ad awards

by Lindsey Dawson

AUCKLAND ad agency Brown, Christensen and Associates Ltd has won two international awards with a TV advertisement for National car radio/cassette units.

The ad won a Clio — the advertising world's equivalent of an Oscar — in the best automotive product category. The contest is judged in New York.

Matsushita Electric Industries, the makers of National and many other brands, gives yearly gold awards to the agencies which it believes have best promoted its products in the previous year. Brown, Christensen was one of the winners, in competition with some of the world's biggest agencies, including Dentsu of Japan.

The ad was called "Traffic Officer" and featured an Auckland City Council traffic man "conducting" Queen Street traffic to the strains of Beethoven's Fifth — played, of course, on a National set. Accounts director Diana Davie said the ACC offered full co-operation in making the ad, with the traffic officer ("he was brilliant — had natural talent") taking direction from producer Chris Christensen while at the same time keeping the traffic flowing smoothly. Editing to make his movements fit the music completed the job.

This is the third year running that the agency has won a Japanese gold award, and its Clio followed two awards in last year's contest.

Research guide

by Grev Wiggs

ALTHOUGH the *Market Research Society's Yearbook* is called just that, it might well bear a title such as "Buyer's Guide to Market Research".

In it are listed the dozen or so houses which supply New Zealand's research needs. Each research unit has set out the types of research it is prepared to undertake, its special field of activity, its facilities, number of staff and names of principals.

In total these services cover the complete spectrum of market research. Some firms are quite highly specialised and their focus of interest and activity is clearly indicated.

They range in size from companies with two principals to those with a staff of 50, though size may only indicate the type of work undertaken. But the information provided will help research buyers to narrow their fields of choice.

The yearbook contains a list of all members of the society, and users of research will find, for instance, that the code of ethics of the society sets out precisely what the buyer can expect.

Marketers, whether regular or casual buyers of research, should find a place on their reference shelf for this useful volume.

Lintas moves HQ

by Lindsey Dawson

SSC & B Lintas, celebrating the opening of its new building by giving a $1000 cheque to Telethon, has moved from "agency row" in Parnell to Grey's Avenue.

The three-story building has a long and chequered history. Fifty years ago it was a church-run haven for women, and in more recent times was a Lifeline counselling centre and a Halfway house run by Father Felix Donnelly.

When Chase Holdings started the $150,000 refurbishing job late last year the building was almost derelict. Its shuttered and brass-knobbed Georgian facade takes Grey's Avenue a long way from the days when it was filled with seedy shacks and opium dens.

A Chase Holdings spokesman said his firm was "thrilled" with the way the building had turned out and had its eye on more old places which could be up-graded into up-market commercial and retail accommodation.

Computer magazine

by Lindsey Dawson

THE first issue of a new glossy computer magazine, *Interface*, comes out in July as the official journal of the New Zealand Computer Society.

Former *Auckland Star* Computer Talk reporter Chris Galloway is editing the new magazine, which is being produced by Associated Group Media Ltd.

He said that *Interface* would not be just "a bulletin for boffins but we won't be short-changing them either". It would aim to produce a good level of general information for those in the marketplace as well as adequate technical copy for people in the computer business, he said.

There will be 10 issues of *Interface* a year, with a monthly print run of at least 6000 copies. It will retail at $1.50 a copy, or $13.50 for a yearly subscription. Galloway said the magazine would also be a vehicle for situations vacant in the computer business.

Instruction for instructors

by Grev Wiggs

THE marketing process does not stop at the point when the product is sold and passes into the hands of the consumer. Not only do guarantees still bind the marketer to the consumer but the degree of satisfaction that the customer experiences from using the product dictates the shape of future sales.

So, at the moment when the customer's expectations are at their highest, at the point when interest and excitement have peaked as they are about to use the product for the first time, why do so many New Zealand manufacturers bomb out with ambiguous and incomprehensible instructions?

Instruction manuals accompanying imported products are usually quite straightforward. The Japanese, despite the problems of a foreign language, are usually very clear indeed.

Because New Zealand is a nation of do-it-yourselfers, our theory is that the product designer or the sales manager writes the instruction manual in the language he understands and the layman is expected to follow.

If you have ever attempted to put together a kitset glasshouse or set an electric oven for automatic cooking for the first time, you will understand what we mean.

Now comes support from another direction. In a recent *Listener*, Ian Gordon devotes his language page to this very problem.

"If an instruction book for users does not communicate, precisely and unambiguously, with the user, what is its use?" he writes.

"It is not the first time I have been driven up the wall by instruction books. They seem sometimes to have been written by the factory manager, who knows absolutely everything about the mechanism except how to explain its workings to those who know nothing about it."

Gordon wants an English expert to write these books from the point of view of the user.

We would go further and ask for an advertising copywriter, professionally trained in explaining the complex in simple terms, to do the job. It might serve to remind manufacturers that instruction manuals, too, are part of the marketing mix.

Cassell pulls out of NZ

by Gordon McLauchlan

CASSELL, once one of the world's most famous imprints on general and trade books, has closed its Auckland office because the troubled multinational has pulled out of general and trade publishing worldwide. The company will continue to have an office in Australia, concentrating there mostly on an impressive academic list.

The agencies Cassell held in New Zealand have been taken over by Associated Book Publishers Ltd, which is also at present negotiating over individual titles from the Cassell New Zealand list.

Industrial relations

Drivers hit front with claim, restructuring, merger

by Ann Taylor

THE drivers are wheeling a couple of "firsts" down this year's industrial track. The Conciliation Council, which will hear their claims for 17.8 per cent pay increases on June 30, will also consider the report of a committee set up to review the general drivers award.

Dunedin industrial conciliator Walter Grills has led the employer-union review committee and spent the past four months looking at job classification, the structure of the award, its slot in the wage round and ways of improving labour relations. Training, the impact of new technology and provisions of legislation were also in the committee's brief.

Set up in 1979, the committee was instructed after last year's settlement at 13.5 per cent to report to this year's council. It has the power to "make unanimous findings by way of recommendation" — but unanimity has apparently been difficult to achieve.

The 17.8 per cent claim is outside any findings of the review and is not a trend-setter for the award round, according to union advocates who are more concerned to get .their own industry relativities sorted out than to set the pace for other unions.

Employer advocate Andrew Patterson said the employer's ability to negotiate would be dependent on the review's findings, which won't be known until the council sits. "We can't negotiate with a nothing," he said of an award which both sides acknowledge is not going to be settled quickly.

Dairy workers have postponed their hearing until after the drivers. The Farm Workers Association settled at 6 per cent after asking for 28 per cent and being offered 5 by the employers. But the farm workers are not affiliated to the FOL and cannot be regarded as a trend-setter.

All this leaves the drivers, with the expectation of protracted talks, as an unwilling leader in the wage round.

Away from the treadmill of annual awards the drivers are moving to another industrial first — a conglomerate of unions that do not cover a tightly defined industry.

The 11 unions affiliated to the Drivers Federation (membership 20,000), two of the storemens and packers unions (membership 15,000) and the six shop employees unions (30,000), are now drafting rules to govern an organisation which will formally link the three groups.

The proposed Distribution Workers Federation will mean "gains in administration: In the long run there are some negotiating advantages and, if we can hold it together, it will allow us to employ better research, training and advocacy than any one union could do on its own," said union advocate Rob Campbell, who has been working to set the organisation up.

The three unions acting together could "tie up the whole country" one employer told *NBR*. He expressed some concern at the "power, punch and muscle" the conglomerate could command.

If a company moves goods through the freight forwarding system its goods are handled by all three unions.

But Campbell said the three have been loosely associated and worked from a combined unions office for a while. "Saturday trading forced the shop employees into action and they were looking to combine resources. The storemen didn't have a national body and the drivers were coming under pressure for better research and advocacy." The three groups were, therefore, looking to broaden their resources at the least cost, he said.

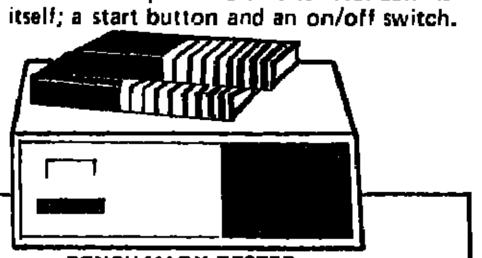
Each of the unions will retain independent policy and regional autonomy from the federation, which will operate in three divisions — retail, road and transport, stores and warehouses.

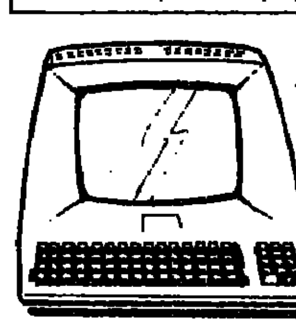
The individual unions will be affiliated to a division of the federation which will have a national conference and structure — an elected general secretary and a management committee with equal representation from each of the three divisions.

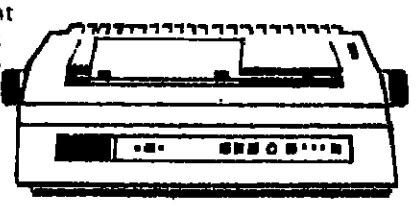
Campbell said the organisation will try to provide a large union type of service but retain the regional autonomy of the unions. He said they were "close to a set of rules that we want" but these rules still have to be discussed by the union executives and taken back to the rank and file in unions which have high turnover — 1000 new drivers joined last year, for instance.

The conglomerate was first discussed by the three unions' conferences last year but Campbell said "it has taken time because it's complex and we're not in any great hurry".

There are no precedents for an association of unions covering more than one tightly defined industry and there have been complications in tying together the different histories, policy, finance and administration of the three.







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Resource development

The opportunity value of electricity in heating

THIS week's alternative to smelting all our electricity surplus was written by Murray Ellis. Although currently on secondment as an honorary senior lecturer at Auckland University's engineering school he is employed by the Ministry of Works and Development. Ellis has expressed his concern and questioned the pricing policy on electricity on several occasions. He made this contribution to the debate at a Waikato University seminar — "The aluminium debate" — in September last year.

THE forecast demand for electricity, including the new smelters, will stretch the supply system to, indeed beyond, its limits. Consequently it will not be possible for it to accept any significant additional demands not included in the forecasts, at least until well into the 1990s.

An alternative means, therefore, of valuing the supply of electricity to an aluminium smelter is to consider what benefits might be able to be gained from using this electricity in some other way.

It is not possible for me to determine and evaluate all the possible uses that may exist, or cease to exist, from my armchair. Indeed it would be futile to attempt such an exercise.

But there is at least one option that will give better value for the electricity than its cost, quite apart from the question of whether there really is a surplus or not.

The option is that of replacing diesel oil where it is being used in a stationary application. Very little of this is in motors, most of it being burnt in boilers for heating purposes.

There are still innumerable buildings in New Zealand with oil-fired heating systems. There are also a considerable number of industries which use small oil-fired boilers that are not large enough to make the use of heavy fuel oil economic. They use exactly the same diesel fuel as trucks and rail locomotives.

Table 4.1 of the *Energy Plan* gives the current price of diesel as $8.9 a gigajoule to this type of consumer. This fuel could be replaced directly by electric heat.

I know I am advocating something at which most conservationists would throw up their hands in horror, but I suggest that it is an improvement over using oil, to use electricity directly for industrial and space heating in a situation where oil and electricity are the only practicable options.

A typical substitution situation would be the replacement of an oil-fired boiler in the basement of an office building with an electrode boiler. As a general average the efficiency of such a boiler is only about 75 per cent of its electrical equivalent. The other 25 per cent is heat lost up the flue and unburnt fuel left as soot and smoke, losses that don't occur if electricity is used as a substitute.

If diesel costs $8.9 per gigajoule (GJ), this is equivalent to electricity at $11.9 per GJ, which is 4.3c per kwh.

This already exceeds the cost of electricity generation under most circumstances; but there is more to come.

The *Energy Plan* tells us that the international price of diesel has now reached that of petrol, and that in future diesel may be more expensive to provide than petrol.

"This change should be progressively reflected in pricing over the next five years," it says.

The implication of this is that the price of diesel will increase more rapidly than even the price of crude oil. Using the *Energy Plan* forecast the overall increase will then be more than 5 per cent by 1985 and 64 per cent by 1990.

Remember: these are increases over and above the general level of price inflation.

The effect of the equivalent value of electricity used to replace diesel fuel is to increase it from the present 4.3c per kwh to 6.5c in 1985, and 7c per kwh in 1990.

Offset against these values should be the costs of purchasing and installing the electrical heating equipment. But the equipment is neither expensive nor bulky, and its operating and maintenance costs would be less than for the oil burners replaced.

How much diesel fuel is used in ways open to substitution? Our total diesel consumption is close to one million tonnes a year. Available statistics do not divide diesel use by the manner in which it is used, but it seems a fair guess that some 70 per cent is used in mobile applications (for example, transport, earthmoving, fishing, and so on).

Only 30 per cent or so is used in fixed locations where other energy sources could replace it.

Coal is not really a serious contender. Some could be replaced by natural gas and LPG but there are some difficulties.

Many buildings with oil-fired heating systems have boilers in poorly ventilated basement rooms and there is a severe explosion hazard if you attempt to run in a gas pipe and convert the boiler, so the only alternative is to build a new boiler house on the roof of the building.

Town planning rstrictions do not always allow for such construction even if it is technically or economically feasible.

LPG presents even greater problems due to the difficulty of finding an acceptable site for the storage tank.

So only about 20 per cent rather than 30 per cent of that million tonnes could appropriately be replaced by electricity.

This is 200,000 tonnes with an energy content of over nine petajoules. This can be replaced by seven petajoules of electricity, which is some 2000 Gwh a year. The value of the oil replaced would be some $82 million a year at current prices, or $134 million a year at the increased real oil prices expected by 1990, almost all of it in foreign exchange.

This can be compared with the most optimistic claim I have heard yet for the foreign exchange earnings from the second aluminium smelter of $120 million from using 50 per cent more electricity.

In view of the attractive economics of making such conversions it may seem strange that they are not already happening. With the bulk tariff now averaging about 3 cents per kwh, and the retail domestic tariff at 4 cents or less it would seem that such sales would be well worth while on a purely commercial basis.

There are two reasons for this. A rather minor reason is that space heating requirements are concentrated in the winter, so that additional loads could add disproportionately to peak loads.

Against this is the fact that commercial space heating peaks in the early morning when the building is being warmed up for the day. Few electrical supply authorities have their peak demands at this time, while the national generating system is expected to have so much surplus capacity that even if a significant increase in peak demand did occur, it would cause little difficulty.

A much more important reason is that the great majority of users of diesel oil-fired heating are on commercial and small industries electricity tariffs. These people are required to pay exceptionally high rates for their electricity.

The surplus revenue collected from them is used by the supply authorities to subsidise other consumers, mainly domestic, and other activities.

For example, the Hutt Valley Energy Board charges this class of consumer 9.4 cents per kwh compared to its domestic tariff of 3.6 cents. The commercial tariff in Christchurch is even higher, over 13 cents.

There are more modest opportunities for more efficient replacement of diesel with electricity. For example, some diesel-powered machinery such as air compressors are moved from site to site, but are always stationary while in use.

Organising an electrical supply at each site would be a lot more hassle than just towing the diesel machine, but each unit of electricity used will replace three times as much diesel as it can when used for heating.

In the longer term the supply of space heat should also lie with electricity, not through direct electric heating as described above, but by means of heat pumps. Indeed, even now some air-conditioned buildings with oil-fired heating could well be encouraged to adapt their air-conditioning plant to provide heating as well as cooling.

Management

The process of change — are we equipped to cope?

TO be confident of our control over the process of change, we must know about change and the problems associated with it, then compare with our control method and judge whether the method seems adequate. Therefore in this introductory article in a series, Wellington systems consultant Benjamin B Davis discusses:

- *Why it is difficult "to change";*
- What is a good measure of successful change;
- The theme of the next five articles in this series that, in total, describe how we can successfully change the New Zealand economy; leaving what changes should be made quite properly to the people of New Zealand and their elected representatives.

The articles deal with, in turn: understanding change and managing change agents; restructuring the New Zealand economy — peril and possibility; what are the implementation techniques and where are the resources for such restructuring; *self-interest and motivation in the public sector* — an unsatisfactory record and concern for the future; and required changes in the public service environment and work performance conditions.

NEITHER the Government, any political party, or the Public Service has revealed a capability to revitalise our economy. To be credible, a capability must give us confidence that it can bring about adequate (therefore large) improvements in the three crucial areas — the terms of trade, employment, and the rate of inflation.

The problem areas are closely related; therefore improvement efforts must be closely related.

What is most lacking today is some assurance that there is a firm sense of direction, that the left hand knows (and approves) of what the right hand is doing.

In short, no method is being followed that promises success in achieving change or to show that *we are in control.*

Being in control of the process of change does not mean we know what the future will bring and have prepared a detailed plan of what will be done. Being in control does mean:

- Selecting future desirable changes from present undesirable conditions (such as inflation);
- Expressing those desirable changes as goals to be achieved by a *future date*;
- Organising public and private resources for progress toward those goals;
- Recognising that anything can change *enroute* and that most things will;
- Having confidence in *how* goals are being pursued is therefore paramount. Confidence means assurance that correct decisions and adjustments will be made as the vague shapes of the distant future (five years) become the more substantial conditions and problems of the near future (one or two years ahead).

We all acknowledge that it is difficult for people to change, and that it is even more difficult for organisations to change.

New Zealand (or any other country) can be described as a large number of organisations of vastly different size and make-up. When our country is thus considered, the very little progress made in the past five years to reshape the economy along *more viable lines* is perhaps understandable.

It is difficult for a country (seen as a collection of organisations) to change because organisation structures are best suited to the repetitive performance of standard work tasks. In the beginning, the relationship between tasks was established, and is changed so infrequently in most organisations that little or no provision is made (organisationally) as to how it can best be accomplished.

Most managers are used to dealing vertically (in the organisation chart sense) with subordinates and superiors

Even the way things are stated emphasises the difference, with "vertical" terminology contrasting strongly with "horizontal" terminology. In the former, managers command, authorise, delegate, accept responsibility; in horizontal situations, there are committees which liaise, co-ordinate, suggest and individual *managers* decline to accept responsibility.

To force accelerated change in the New Zealand economy will create similar conditions in the sense of "unnatural" horizontal work requirements being forced on large organisations and between autonomous organisations, both public and private, that seldom work together.

Example: consider how a new manufacturing item for export could require unique (one-off) work tasks to be quickly and effectively performed by the following organisations:

- The various "vertical" organisations within the manufacturing company must work with each other to establish the relationships that will make possible the subsequent repetitive tasks of mass production;
- Trade and Industry, Customs and Treasury would be involved with the company in arrangements to import necessary raw material;
- If an increase in the work force is required to produce the new item, the company must work with the range of organisations involved with the community infrastructure: Labour Department/Personnel Agencies (new workers), the municipality and perhaps town planning (housing), various boards and authorities (utilities), Education Department (schooling), and so on;
- Various Government departments for export incentives, aid in identifying overseas markets and selling in those markets;
- Railways Department, other internal carriers, and overseas carriers establish transport requirements.

This listing gives some insight into the complex process of identifying the unique system that includes everything required for each successful "change" effort. Each system is a *horizontal construct, cutting* across the many separate and varied "vertical" organisations that must contribute resources to the "change" effort.

The programme approach is the best vehicle (organisational arrangement) for accomplishing change. It compensates for the deficiencies of vertical organisation structures and in other ways provides a supportive environment conducive to successful change.

The programme approach recognises that change is overwhelmingly a people process. Programme staff must devise new systems, establish new relationships, suggest new organisations, and so on that will alter economic activities in ways that will reduce import expenditures, increase export income, and combinations of the two.

Stating the people problem in a different way, a successful programme is a management exercise in getting the very different people within the programme to communicate and work together so that "change" objectives are achieved.

Correct use of the programme approach ensures successful change, but how successful? What unit of measure can be uniformly applied over time and across varied programmes?

We have seen the value of our exports increase very substantially, and the cost of oil and other imports increase even more substantially. There are alternatives to increasing the value of exports, such as decreasing imports and reducing Government expenditure.

Therefore to attempt measuring "change" success, even in constant value dollars, is not feasible. Given the variety of means and factors, the most appropriate measure for determining the success of our change efforts is the per cent of Gross Domestic Product (GDP) consumed in interest charges on the national debt paid by the Government and quasi-government organisations such as the Development Finance Corporation.

That measure is best because it highlights when the Government borrows more and acts less, also provides an on-going stable indicator of how well we are doing in accomplishing change. In more detail, interest charges are a good indicator because:

- We became aware of the need for economic change when the terms of trade turned decisively against us in 1973-74 and have remained negative. Interest charges indicate both the problem and its size;
- While many spurious comparisons are made between a country and a household economic unit, the danger of spending in excess of income is the same for both. Like the household, a country will find willing lenders up to an amount of debt that is unmanageable. At that point the results are basically the same. The country does not declare itself bankrupt and turn its affairs over to a receiver, but it does lose control over its assets which are then controlled — even sold — by the holders of the country's debts.
- If "change" is successful in stimulating economic growth, sufficiently increased GDP would result in even an increase in interest charges registering as a lower percentage.

"Understand Change and Managing Change Agents", the next article in the series, was written in February 1979 — unfortunately it is still entirely valid. It highlights the paucity of ideas of *how* change would be accomplished, as contrasted with the reams of rhetoric about *what* changes should be made. Indicating that neither private enterprise or the public service has demonstrated the necessary vision or competence, the article concludes with identification of an appropriate model for our "change" efforts.

"Restructuring the New Zealand Economy — Peril and Possibility" is the second article. It was written in August 1980 and comes to grips with *our problem* under section headings — what is meant by "restructuring" and what are the implications; restructuring is dangerous and will result in worse rather than better conditions if not performed properly; why do we have to restructure; what is the best way to go about it?

The third article is "Restructuring the New Zealand Economy — What are the Implementation Techniques and Where are the Resources?" It was written immediately after the second and continues the exposition under these headings — the "How" of restructuring is as important as the "What"; crucial role of the public sector in restructuring; why the public sector is unprepared for its crucial role; restructuring activities by the public sector are very different from present (status quo) activities; one key to successful restructuring is tight and comprehensive control of work activities.

"Self-interest and Motivation in the Public Sector" was written early this year; it begins with an exposition of the past and present state of self-interest and motivation in the public sector and contrasts that with the private sector. It concludes with the stark contrast between present incentives in the public sector and what is required to achieve successful change.

"Required Changes in Public Service Environment and Work Performance Conditions", the final article, was written "yesterday" and describes what incentives are required within the public sector. The case for such incentives is made by relating them to the crucial requirements of the systems approach and the programme approach.

Wine

The price may be high, but so is quality in Nobilo '76

by Frank Thorpy

CRITICISM has often been levelled at the high prices of some New Zealand wines, but one wine, retailing at about $13.30, the dearest on the market, has its admirers.

It is the 1976 Nobilo Muller-Thurgau Auslese, literally a hand-made wine.

There was a good, long hot summer at Nobilo's Kumeu vineyard in 1976 — Nobilo claims to have a favourable micro-climate in its area — and it was decided to take a risk to keep the grapes on the vine as long as possible to concentrate the sugar content.

The vintners then resorted to a technique often used in the Jerez district of Spain, where the grapes after harvesting are *dumped on esparto grass mats* to cencentrate the sugar content.

I well remember visiting the vineyard that autumn and seeing the grapes laid out on the floor of an aerated shed for a period which turned out to be 10 days. An anxious eye was kept on the weather but during this period the grapes further shrivelled up, losing water content but retaining full sugar value.

The grapes were then pressed and fermented, not in stainless steel temperature-*controlled tanks, but in small* oak puncheons.

The fermentation went on for three months and heat was controlled by packing the oak puncheons with blocks of ice. The wine was then clarified and bottled to mature under cellar conditions till it was released in December 1980.

Winemaker Nick Nobilo would be the first to admit that a much better wine would have been achieved if he had the genuine Riesling grape at that time instead of Riesling-Sylvaner. Notwithstanding this, the wine has merit — it has a true German auslese quality — luscious, though one can detect the effect of the lesser grape in the after taste. And it has been made without the dubious benefits of modern technology.

Perhaps the most interesting wine made in New Zealand, I can recommend it to any wine lover who cares to experiment. Stocks are not large and it is selling slowly but steadily.

It would go well with a fruit dessert and then to linger over instead of sipping a port or a liqueur. I could also recommend it as a wine to mull over with friends on a Sunday morning.

At the other end of scale, Cooks have introduced a "flavoured wine" Party Pack which contains the equivalent of four bottles of liquid and has a 9 per cent alcohol content. Retailing at $7.99, the cheapest on the market, the quality is low and seems to be aiming somewhere between Food and Drug Regulation 228c (flavoured wine etc) and 232 (general alcoholic drinks).

Under Regulation 228c, a "flavoured wine" may contain any herb, any spice, any portion or extract of any fruit other than apples, any vegetable bitter, any permitted flavouring substance, any specified colouring substance, any specified food conditioner except sorbitol, potable spirit, wine spirit. A truly formidable combination of additives which many thought to have disappeared with Brother Dominic.

One saving grace is that the amount of grape juice should exceed 40 per cent by volume of the finished product.

Regulation 232 (general alcoholic drinks) states, *inter alia,* that a general alcoholic drink shall contain more than 1.7 per cent of alcohol derived from either the alcoholic fermentation of any food stuff with or without the addition of spirits and may contain specified colouring substances, permitted flavouring substances, sugar, carbon dioxide, or any other foodstuffs. A pretty kettle of fish!

The drink must display a statement of the ingredients, including water, in descending order of quantities expressed as a percentage of the whole.

As Cooks Party Packs does not display a list of contents, it is obvious it does not come under Regulation 232 but it may be of general interest to see if it complies with Section 228c.

Beverages of this nature can do little to raise the general public image of winemaking, which has suffered further restrictions placed on imported wines under the plea that the wine industry needs time to improve its standards.

Wagnerian wine disaster

by Chris Foulkes
of the *Financial Times*

THE bottle of white wine in an English wine bar looked German to the core: a Teutonic name on the label in black letter Gothic type and a picture of jolly men in lederhosen carousing in a Rhineland tavern.

But the small print below the picture told otherwise. The wine was a Euroblend, a legal if hardly ethical mix of cheap Italian wine and German technology. This new product is pouring into Europe's wine glasses through a loophole in Common Market labelling laws.

The drink itself is about as exciting as the Brussels edict that inadvertently made it possible. It is sweet, flat, insipid and no closer to nature than the ink that printed EEC Article 2(1)(d)(ii) of Regulation No 355/79.

What is happening is that German winemakers, desperate to fill growing world demand for their Moselles and Hocks, are importing wine from Italy, southern France, and now Greece. They are then putting it through some sophisticated viticultural hoops to produce blends designed for mass tastes.

EEC rules allow these blends to be labelled Tafelwein — German for table wine — if those words "wine from different countries of the European Community" are printed on the label. But the wine trade in Britain, Germany's biggest customer, is concerned that few customers will read the small print and that they will be misled by the overall appearance of the labels into thinking the wine is German.

The Euroblends are part of the German wine industry's response to rising demand and fluctuating supply. German technology has worked long and hard to beat chance.

Unlike Mediterranean and Southern Hemisphere competitors, the German winelands are subject to the fickleness of the northern climate. Frost, hail, excessive rain and sheer lack of sun used to mean that the good vintages came perhaps twice a decade.

But this year, in an almost Wagnerian cataclysm, everything has gone wrong for German wine.

There are even allegations, strenuously denied, that wine to fill the Euroblend vats is being imported from the state vineyards of Eastern Europe.

Then on top of the Euroblend row came the great Moselle sugar scandal.

Officials from the Public Prosecutor's Office in the state of Rheinland-Pfalz charged last November that 1800 growers had illegally added inverted sugar to wines and were selling the resulting brew as wine entitled to a far higher quality rating than it really merited.

The next disaster was the weather in 1980. Rain fell almost continually between June 16 and July 21, causing severe damage to the vine flowers.

The resulting crop was the smallest since 1962. It is half that of 1979 and, as prestige producers and shippers Deinhard comment, "must be regarded as a disaster."

The trouble has been compounded by the quirks of New York fashion. American wine-drinkers have a tendency towards fads, which, because they are prosperous, numerous and enthusiastic, can have wild *effects on the wine trade.*

First came the Pouilly-Fuisse craze, which rocketed that minor white Burgundy to a status where, as wine merchant and analyst Peter Sichel points out, "it was a must on every self-respecting wine list in America." The price trebled between 1968 and 1972. It has fallen back as wine merchants and hoteliers in the United States have realised they can survive without Pouilly-Fuisse on their lists.

Much the same thing happened to Chablis. Then it was the turn of Piesporter Michelsburg from the Moselle. Perhaps because the name has a pleasant ring, America has taken this German wine to its heart.

As the Germans struggle to supply their export markets, other countries are planning to invade Germany to establish bridgeheads on the supermarket shelves for their wines. For Germans drink a lot of wine — 24 litres a head a year, double the 1961 figure.

And with exports up 10-fold in 10 years and production down due to the weather, there is a gap to be filled. Eastern Europe, Italy and even South Africa are moving into the German home market.

Local Government

Historic Suter gallery wins direct rates funding

by William Hobbs

NELSON'S Suter Art Gallery, which has become a centre for both performing and visual arts, has been *promised* a regular income for the first time. A long campaign to secure civic finance for the gallery has succeeded in persuading the Nelson City Council to agree in principle to direct funding from rates.

The Suter Gallery was established late last century with a bequest from the city's second bishop, Andrew Burn Suter. He was a keen artist and the founder of the sketching club now known as the Suter Art Society.

With funds from the bishop's widow, and more raised by public subscription, a gallery was built in 1899 to house the bishop's collection of pictures. Additions since then have made *the Suter* collection the largest of any among provincial art galleries, valued at between $500,000 and $1 million.

The gallery limped along for *years with meagre resources of* the Suter Trust Board as its sole source of funds, and the gallery building provided only cramped and humid storage for the paintings. *The collection* began to deteriorate physically.

The plight of the collection was taken up in *Truth* soon after the appointment of Austin Davies as gallery director, five years ago. Since then he has waged an almost constant battle with the city for better funding.

He has been joined by the Suter Trust Board, seeking in a less strident and abrasive fashion to improve the gallery.

At times it has seemed almost like a comedy show, with the old hard cop, soft cop routine — Davies coming the heavy with accusations of civic neglect of the gallery, and Suter Trust Board chairman Bob Gunn following up with conciliatory noises and appeals to *sweet reason.* (Although as he is director and leading strategist of the Goodman Group, one suspects there is not too much "soft" about Gunn.)

The first part of the Suter Gallery improvement campaign ended two years ago with the opening of extensions to the building in Nelson's Queens Gardens at a cost of *$350,000,* making it one of the most attractive and best equipped small galleries in the country. But the gallery's only income was generated from door charges and entrepreneurial activities, plus a grant towards the director's salary from an increasingly reluctant Nelson Provincial Arts Council.

Despite Davies' frequent proddings, the city council resisted direct funding until recently. A number of councillors maintained that the city had discharged its obligation to the gallery with a $100,000 contribution to the building extensions (matching a similar amount from the Government), a continuing rebate on rates *and power charges,* and funding of the provincial arts council (0.7 per cent of the rate take each year).

From the rates contribution to the arts council (about $20,000 last year), the gallery received $8500. But the arts council does not see its job as distributing money for ongoing administration expenses, and it had told the city it wanted to shed long-term commitments of that type.

The gallery people also regarded the system as unsatisfactory. Davies says the Suter is the only art gallery in the country not funded to a substantial degree directly by its city council, and he says Nelson's record of funding the arts is generally poor. In one issue of the quarterly gallery newsletter to supporters, he listed the per capita spending on the arts of 13 cities from Auckland to Invercargill obtained from a 1978 survey. It showed Auckland at the top of the list ($5.52 a head) and Nelson firmly at the bottom *(82c a head).*

To meet present needs, the Suter wants a civic grant of $27,000 a year, $15,000 of it to meet the cost of employing a qualified art technician, the rest is to cover the cost of bringing in four touring exhibitions a year (there is a flat rate exhibition fee of $800 for each one), gallery cleaning costs, and $5000 to meet power charges for the temperature control system.

Davies and Gunn regard employment of a qualified technician as the most urgent need. The gallery is staffed only by Davies as director and a secretary, with help on special projects from PEP workers.

Davies spends most of his time as a business manager. This has helped generate earnings of *almost $70,000* last year from the wide variety of events held at the gallery, but it has precluded him from performing the basic function of being an active curator of pictures.

He says some touring exhibitions have by-passed Nelson because their organisers won't entrust their works to the Suter's volunteer workers.

The lack of a full-time technician at the gallery has also meant that the rest of the country cannot see the Suter's recently acquired collection of Woollaston drawings and paintings. Last year, Sir Tosswill Woollaston gave the Suter 100 unmounted and unframed drawings, and Davies has said he would like to prepare a selection for a touring exhibition.

Fifty of the drawings are being framed and mounted in Nelson and will go on display at the Suter Gallery next month, but Davies says he cannot spare the time to organise a touring exhibition.

The Suter's other main problem is the restoration and *reframing of the older* pictures of the permanent collection, something which Davies has started to tackle in a novel way. In January he sought private or commercial sponsorship for the restoration of a Lindauer painting of the Maori chieftainess, Huria Matenga, promising an acknowledgement plaque on the restored painting in exchange for the $200 needed to send it to the laboratory at the Dunedin Art Gallery for restoration. Five offers followed his advertising of the scheme, and he has put forward two more paintings for sponsorship with the promise of others to follow.

Agriculture

Hawkes Bay first test for meat works delicensing

WITH an excellent season behind them Hawkes Bay sheepfarmers are looking forward to the next with more than usual interest.

The next may not be so good. A severe outbreak of facial eczema will take its toll at lambing time and the weather may yet bring disaster.

But when the lambs are finished, price haggling will be more intense. Within a month two new freezing works are expected to open in Central Hawkes Bay.

The Hawkes Bay Farmers Freezing Company will swing two chains into operation at Takapau in October and not far away Pacific Freezing will begin working one chain in November followed by another early in the New Year.

Farmers in the district already enjoy the lowest processing *charges* in the country and traditionally get at least a 10 per cent premium on schedule price. Now they are looking forward to even fiercer competition, on the *assumption* that Pacific's record as a beef processor will end the steady erosion of farmgate returns.

But the effect is certain to ripple far beyond Hawkes Bay, the farmers promoting delicensing. Effective lobbying brought an end to meat processing licensing last year and its administrative body, the Meat Industry Authority, will be disbanded later this year.

However, the authority warned in its annual report tabled recently that delicensing could rebound on the farmer, stifling competition between processors.

"This would *arise from the* fact that existing works could without any authority beyond that from the director-general covering construction and hygiene requirements, make any additions and alterations they wished.

"In particular, they could provide additional chains at will much more quickly and no doubt much more cheaply than could a new works."

Delicensing has already had its casualties, the Southdown works in Auckland and there may be more to follow.

Gear Meat Processing in Wellington, now owned by the Hawke's Bay Farmers Meat Co, is at the crossroads. Management has unveiled a "blue print for survival" requiring an $8 million investment programme over *three* years which has publicly been made conditional on agreement by the Meat Workers Union to reduce manning.

The alter*native* is closure.

The Ministry of Agriculture and Fisheries had been expecting Southdown to close at any time over the past 20 years. Gear is also expected to go in the not-too-distant future and either Imlay at Wanganui or Feilding may follow.

Transport economics alone put works such as Gear at a disadvantage. Fuel price rises in the 1970s have made it costly to transport stock over long distances. It is economically better to site a works near the centre of its catchment area and move the carcases the longer distance to an export port by rail.

In its blueprint Gear shows its catchment area stretching up the East Coast to Wairoa and across the central North Island to Taupo before coming south through Manawatu and the Wairarapa.

Next season there will be 12 competing works closer to all but a few of Gear's suppliers in the immediate Wellington and *southern Wairarapa area.*

For the Gear works to stay open, the blueprint says it needs to kill one million lambs a year, a target it has not met for several years. Historically Gear has had high processing charges, if not the highest of all North Island works.

Gear's immediate problem is to comply with European Economic Community hygiene standards and with health regulations in its rendering plant.

The blueprint was written around the assumption that the works will have three chains operating in future, though theoretically one of those is being installed at Takapau. Delicensing has removed that obligation.

There have already been strikes over *the management's* efforts to reorganise work in the boning room and demands *by the union to examine the* parent company's books to find other areas where cost savings can be effected.

With the Southdown closure still in mind the Auckland-based Meat Workers Union has been more ready to talk to the companies in the region and renegotiate manning agreements.

Auckland farmers can expect to benefit next season. With Southdown's closure, the Auckland Farmers Freezing Company will be under less pressure to maintain relatively high processing charges which are usually matched by the other works in the region.

There will also be pressure from outside the region. The Hawkes Bay works will be keen to maintain throughput and *may see the need to buy* from the Auckland region, a reversal of patterns over past years.

Dalgety's Aotearoa works at Cambridge will also have a greater capacity, effectively moving from a half-chain to a full-chain operation, from 1500 head a day to 3200.

Overall in the North Island there will be a net increase of two and a half chains by early next year, the capacity to kill an additional 8000 lambs or their equivalent in ewes a day.

Next season's lamb crop is expected to be about the same, as this year's record 31.5 million.

Facial eczema outbreaks in the Waikato and Hawkes Bay will ensure lower lambing percentages and more ewes dying giving birth.

In Mid-Canterbury a long autumn drought meant that ewes were *light at tupping time* with an inevitable drop in twins. However, that may not mean less work for the processors. MAF farm advisors expect an end to the rapid flock-building of the past two years.

According to the statistics the national flock grew by 8 per cent last season and by 3 per cent this season to 71 million.

Without a technological breakthrough farm experts doubt the management ability of farmers and the capability of the land to ensure growth beyond 71 million.

Once the peak is over, profitability for the year depends solely on sufficient throughput to meet the standing overheads.

Then the extra capacity in the North Island will inevitably mean fierce competition and plenty of premiums above schedule.

The major processors cite the *South Island* as the ideal for which they strive — a balance between throughput and capacity that tends for a long season. South Island charges are beaten only by Hawkes Bay in most years.

Both sides are already claiming that elements in their arguments are being borne out. Dawn Meat-Pacific's parent-managing director John Foster says his forecast of a rapid growth in flocks has been realised.

Existing processors point to their capacity to handle this season's record lamb kill free of major industrial disputes and stock backlogs.

Foster warns Hawkes Bay farmers not to expect too much next season. "It took us four years to get our beef works operating efficiently so that we could lower charges below those of Whakatu (Hawke's Bay Farmers' main works)".

ICL in deep trouble in UK, but NZ activities sound

by Stephen Bell

DESPITE optimistic noises from the New Zealand operation, British computer company *ICL is* in deep trouble back home. Losses for the latest half-year to March 31 amount to a massive, though expected, $77.3 million on worldwide operations.

The only bright spot is that performance has improved from the first to the second quarter, and now attempts to arrest the slide have been stepped *up.*

The latest moves involve sweeping management changes and another hefty slice of British Government support in what may be a last-ditch attempt to save the ailing manufacturer.

If these efforts fail, there will be little option but to reconsider letting ICL go to a foreign manufacturer. Exploratory talks have already been conducted with a French company, Saint Gobain Point de Mousson, and the more *familiar* names of *NCR,* Univac and Honeywell have also been the subject of rumours.

But with renewed rescue moves these negotiations were suspended.

If this attempt fails to revitalise the company, the only alternative to selling out, British sources suggest, will be *to take ICL back under the* wing of the state National Enterprise Boards, identifying it in the minds of the public as a "lame duck" venture.

The NEB originally had a 25 per cent stake in ICL, but this was sold last year on the instructions of the Conservative Government, set on slimming down state support.

The Government set strict guidelines for future NEB shareholdings, preferring to see participation only in companies which really needed "rescuing".

Ironically, ICL now seems capable of meeting these criteria, largely because of the withdrawal of previous NEB participation, Labour's shadow industry secretary, John Garrett alleged.

ICL (NZ) managing director Tony Neville discounted the possibility of the UK misfor*tunes dragging down the* New Zealand subsidiary. The link between the two country's fortunes was less strong than it had been, he said. Financial performance here tended to reflect the triennial election cycle, particularly for companies heavily involved with government work.

But half-year figures for ICL (NZ) can hardly be described as brilliant.

The company stresses its growth in orders and income, but profit has dropped substan*tially compared* to the equivalent period last year.

Much of the drop was due to outside factors like interest payments, said Neville. He expressed confidence that in the full financial year (October 1 to September 30), profit would prove to have kept pace with turnover growth.

In the UK new ICL manag*ing director* Robert Wilmot has suggested that the company's salvation lies in pushing into new and promising markets in distributed processing, communications and the "automated office".

Some forays have already been made into these areas, but the company's major investment is still in its 2900 line of medium and small computers.

These are regarded as technically very good machines, but are clearly not proving enough to support the company on their own.

A blow was dealt to this sector of the market with EEC regulations requiring the British Government to give up its policy of preferential purchase of ICL equipment. But since then, ICL has continued to win significant public sector orders, deputy chairman Arthur Humphreys pointed out *on a visit to New Zealand* earlier this year.

It is significant that Wilmot has been recruited from the British office of American microelectronic component manufacturer Texas Instruments, whose strengths in the computer market lie at the small end.

At home, noises have also been made about moving further into small equipment and new hardware markets, but the New Zealand company is also concentrating on expanding its software and services side, and giving it its own separate identity.

The local company has recently acquired agency rights to a set of *database and data* communications products from Cullinane Corporation in the United States; an interesting move, which sees the local company riding on the back of the hardware success of rival IBM.

Although ICL runs a modified version of Cullinane's database package on its own machines, the software which is the subject of the new agreement operates on IBM processors.

ICL NZ announced a pre-tax profit of $604,000 for the half-*year ended March* 31. Orders taken were up by more than 54 per cent over the same period last year, and revenues reached a record $10.2 million.

Major ingredients in the success were two orders for large 2900 series computers and continuing sales of the popular small ME29 machine, said chairman Laurie Cameron.

But the occasion was dampened, to say the least, by the announcement of the low profit figure and worldwide losses. Cameron continued to ascribe the lack of worldwide success largely to the British economic recession.

"There is no sign of any material improvement in the economic climate," Cameron *added.*

Part of the company's problem arose from over-manning, he admitted, ironically, as an outcome of increasing use of "new technology" in production.

This "continues to reduce the work content required for our products and services", said Cameron. "The British *parent board's latest* assessments of the company's manpower needs to show a further overall surplus of 5200 employees." The company is already engaged in a redundancy program for 2000 British workers.

The latest move will also involve overseas staff, but there will be no redundancies in New Zealand, Cameron *promised.*

Supplier known soon for packet-switching

by Stephen Bell

THE growing ranks of users of digital communications are patiently awaiting news of the selected supplier for the country's projected packet-switched network.

The end of the tender evaluation phase will bring within sight the implementation of this already delayed project, which, in theory, will do much to relieve the hard-pressed availability of communications lines.

Digital communications capacity has been notoriously hard to come by, with users faced with a long wait to get a line from the Post Office.

Packet-switching is one of the strategies adopted to relieve this bottleneck. By splitting data into a sequence of individually deliverable "packets" rather than a message requiring a permanent connection, the approach allows users to share the same physical information channel, without needing an expansion of the line's capacity.

Packets of information from several sources to several destinations can flow together along the same line; each packet carries a destination "address" appended to the information, so the elements of different messages can be sorted out and routed correctly by an electronic equivalent of a postal sorting office.

But what users are waiting to see is whether it will be worth their while to transfer from conventional leased communications lines to the new mode of transmission; tariff levels have not yet been set by the Post Office.

The Post Office has, indeed, hinted that it might initially set charges for packet switching artificially high, to discourage too sudden a switch on to the packet network.

But the West German experience of packet-switching gives cause for concern.

The Bundespost (communications authority) set a high tariff for its packet-switching links and found that after some experience of the practical cost of the new mode of transmission, users began to drift off the system and back to more conventional lines.

The charges for a packet-switched link typically comprise a base charge plus a charge for the number of "packets" of information transmitted.

Response of the Bundespost to its lack of packet-switched custom has naturally been not to lower the packet switching charges, but to raise the charges on old-style leased lines.

So the true economics of packet-switching in New Zealand will be watched very carefully when the network finally comes on stream.

The original request for tenders gave a "tentative" implementation date of August 1981, but this was based on selection of a supplier by August 1980.

With selection now at last rumoured to be coming up, the in-service date looks like being June next year at the earliest.

Whatever happens, the broad standard for the network is already established; it will be the X-25 set of procedures already adopted by several countries.

Shipping Corporation caught in US legal tangle

by Bob Stott

AMERICAN legislation aimed at checking the formation of monopolies in shipping conferences to prevent the Shipping Corporation from participating in trade with United States Gulf ports in its own name — although an application by the corporation is slowly progressing through the Washington bureaucracy.

In essence, the Shipping Corporation lacks the resources to provide by itself a service of sufficient capacity and frequency to attract New Zealand exporters and importers. It therefore wants to join with two other operators in the trade; the three could maintain a suitable level of competitive service.

Shipping conferences have been in existence for decades, but they have not met with universal approval. Many countries have held inquiries into the conference system, and while often critical of some aspects, generally have concluded that the conference system is the lesser of two evils.

The conference system does result in a dampening down of real competition, but regular exporters or importers above all need regular, reliable shipping services running to timetables, and with set rates — predictable services, which will do what they say they will at an agreed price and by an agreed date.

Open competition does not give that service, and the conference system has survived not because it is perfect, but because it is better than the alternatives.

In Britain, a Royal Commission on shipping rings in 1909 concluded that conferences were *necessary for the reasons* outlined above. It also recognised that a conference system could lead to abuses by the lines, which would be in a powerful position to dictate terms to users.

The commission saw as the counter to this the formation of user groups — shippers' councils. If the lines had to group *together to offer the right sort* of service, then the users must group together to speak with one voice as a counterbalance.

New Zealand does not have a shippers' council but the biggest exporters — those dealing in primary produce — have grouped together. Freight rate negotiations are conducted not by freezing companies or dairy companies *individually* but by the producer boards, which have enough clout to at least ensure that their points of view are taken into account . . . and usually they can do better than that.

The Americans held a similar investigation to that of Britain's Royal Commission — the so-called Alexander Committee, which published its findings in 1914. The committee also concluded that conferences were necessary to ensure that competition was regulated and so on.

But the committee did not see shippers' councils as the best way of providing the necessary checks and balances to the conferences. Perhaps not surprisingly in a country which *spawned the Interstate* Commerce Act, the Alexander Committee concluded that legislation was the way to control conferences.

Thus Britain chose a free-enterprise or market forces counter to conferences; the Americans went the bureaucratic way.

The Americans claim that *their laws are applicable to all* conduct abroad which has or is intended to have substantial effects within the United States or on American foreign or domestic commerce. This means that shipping between two ports outside the United States and in which United States shipping lines are a dominant force may constitute commerce of the United States.

An agreement concluded between foreigners, and reached outside the United States, can fall within the jurisdiction of the American courts if that agreement is carried into effect by acts within the United States — such as a shipping agreement which covers a voyage that includes a call to a United States port.

So, if a couple of British shipping lines and a New Zealand line agree at a meeting in Wellington to send a ship to the *United States laden with New* Zealand exports, the Americans will require the partners to adhere to United States laws.

In 1977, Shaw Savill and the Bank Line, two British operators, decided to join forces on a route to the United States. Shaw Savill had long been trading from New Zealand through the Caribbean and on to Britain, while Bank was also long established on a New Zealand-Australia-US Gulf route.

The two lines decided to form a new company and therefore did not regard they would be seen to be forming a conference because the new line would be a separate entity. They decided that three new purpose-built ships would handle the trade adequately, the third of them New Zealand-owned.

At that stage American approval *was sought because the* operation was beginning to look like a conference.

Two American lines in the trade objected to the inclusion of the Shipping Corporation; then the status of the Bank and Savill marriage was questioned. In the end Bank and Savill were permitted to continue in the meantime in the trade (a trade in which they have participated for years) but the Shipping Corporation's application is still being processed.

The Shipping Corporation does have a vessel in the trade — the one specially built for it. But the ship is chartered to Bank and Savill, which makes for complications. For instance the corporation might be seen to be participating in a pooling agreement which gets some of its revenue from US cargo.

And although the Shipping Corporation has approval from *the producer boards to carry* meat and dairy cargo to America, it cannot because it is not an "approved" carrier. Bank and Savill meanwhile cannot get the meat and dairy cargo either, because they are defined as cross-traders.

Buy a shell — the latest way to save on home-building

by Lindsey Dawson

AUCKLANDERS frustrated by the high cost of home building are going for a new form of home building which can save them thousands of dollars — the shell-only home concept.

"The first year we were in business we were primarily selling them as holiday homes. But now up to 90 per cent of our customers are buying them as permanent homes," said Rustic Homes manager Roly Broughton.

The shell-only concept means that the buyer pays for a structure which is weather-proof and lockable but not habitable. It has floor, walls, window and a roof but no drainage, plumbing or electrical installations. Owners also have to complete wall linings and install kitchen and bathroom fittings and interior doors.

It means they can shop around for the best ways to finish off the interior. A hardware merchant, for instance, will usually offer a 15 per cent discount, on a house-lot. Broughton told *NBR* a purchaser can save several thousand on a $30,000 home by building this way.

Potential shell-only owners can get loan finance by filling in contract schedule forms nominating major and sub-contractors so that banks and finance companies can be sure that the house will be finished.

The Auckland Savings Bank and Housing Corporation do lend on such homes if all the requirements are filled — but anyone hoping to borrow for just the shell with no guarantees on when and how the job will be finished is not likely to succeed.

Craft Homes and Cottages sales manager Peter Keane said that most of their customers were in the middle to upper-income group as low income earners could not easily borrow money on shell-only homes, and even if they could were unable to meet the interest payments.

"Only people who can secure a loan using other assets can go in for this type of building," he said. "They are mostly people building beach or country houses, or older people selling homes which have got too big for them and moving into something smaller."

The advantage of the idea was that people could get a shell built quickly to lock-up stage and then finish them at their leisure and as their funds allowed, he said.

It sounds like a handyman's dream — having a structure to "camp" in while finishing it off. But it's not really a viable proposition until the buildings are at least plumbed, drained and powered.

Local authorities frown on the idea. Power boards will not usually connect electricity until walls are gib-boarded. So unless young couples have other accommodation, the shell-only concept will not solve urgent problems of finding somewhere to live.

A finance company spokesman told *NBR* that the idea boils down to a labour-only contract job with the home-owner organising the work himself. "Certainly you'll save money doing it this way, but we've found that the do-it-yourselfers often become disenchanted with it," he said.

"They're working at the same time, and all their weekends and holidays are spent working on the house so it becomes a bit of a drudge. At the end they often feel they'd have been better off getting the whole job completed in one go in the first place."

The savings involved come mainly in shopping around for the cheapest contracts. "Anyone who's a bit naive and doesn't get two or three quotes for each job probably won't save much at all," said Broughton.

But in these times when the average Auckland house price is around $40,000, the shell-only home prices look attractive on paper. Craft and Rustic's colonial-style homes are their biggests sellers. Lofts provide maximum living space on relatively small ground areas. Craft, which sheathes its houses with Hardiplank, is advertising an 844 sq. ft. house for $15,774.

Rustic Homes's slightly smaller rusticated weatherboard house in $16,140. Put one of these on a $15,000 section (average Auckland price) *and you have a shell house for a* little over $30,000. The price includes inner partitions ready for lining.

Keane says that if buyers sub-contract out the *finishing* work themselves they can complete the job, including wallpaper and paint, for a further $8500, making a finished price of $38,500 — $2500 less than if they had a builder do the whole thing from scratch. And if they do all the labour they can save at least another thousand dollars.

His firm is working on about 40 homes now, most of them holiday houses in Northland and the Coromandel Peninsula. Rustic has 16 on the go, and expects to build about 40 homes this year.

Sited in West Auckland, it has many clients who want to put a colonial cottage in the Waitakere bush and other frequent customers are 10-acre block and farm owners.

Craft Homes, a private company whose managing director is Steve Strachan, has been go*ing 2½ years.*

Rustic is a three-year-old business, owned by Glen Eden timber merchants F and B Jones.

Bush Haven Homes is also in the shell-house market, but its unique construction method puts it in a different category. Bush Haven has taken the old log-cabin idea and used modern technology to produce a modular type of construction.

It is rather more expensive for the basic shell, due to the cost of the Corsican pine logs used in construction, but the finished house is on a par with conventional forms of building. The company sells the kit-set for a 737 sq ft home, for instance, for about $14,500.

Getting a builder to put in foundations and erect it on site raises the cost to about $18,500. But the owner saves on interior lining and insulation as the round logs, locked into a steel portal frame, provide the outside and inside finish.

Customers can line interior walls if they want to, but most like the "down home" log wall feeling.

Bush Haven home shells are free-standing with no load-bearing internal partitions which means that interior walls can be placed wherever they are wanted.

The modular system allows customers to add, subtract, or relocate areas of their homes to suit family needs.

Bush Haven has been in business for six years, and has built more than 400 homes all over New Zealand. Like Rustic Homes, it began with a holiday house marketing strategy. "But now 95 per cent of them are built as permanent homes on city and country sites," said marketing manager Richard Ellis.

Bush Haven, like Craft, will *supply kit-sets for do-it-*yourselfers, but most of the customers leave it to a builder. All of the shell-only homes are quick to construct — about 10 days from start to lock-up stage. Designs are flexible in that windows, doors, decks and fireplaces can be altered or added at will.